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Douglas C. Tingey
Associate General Counsel

September 2, 2014

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
P.O. Box 1088
Salem OR 97308-1088

Re: UE 283 – PGE's General Rate Revision

Attention Filing Center:

On behalf of Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon, the Citizen's Utility Board of Oregon, the Industrial Customers of Northwest Utilities, and Fred Meyer Stores and Quality Food Centers, Division of Kroger Company, PGE is filing an original and five copies of the following documents:

- **Second Partial Stipulation**; and
- **Joint Testimony in Support of Second Partial Stipulation**.

Please note that the original signature pages will be forwarded to the Filing Center upon receipt by our office. A copy of this filing was electronically served on the UE 283 Service List.

Thank you in advance for your assistance.

Sincerely,

Douglas C. Tingey
Associate General Counsel

DCT:qal
Enclosures
cc: Service List-UE 283

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 283

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	**SECOND PARTIAL STIPULATION**
	)	
Request for a General Rate Revision.	)	

This Partial Stipulation ("Stipulation") is between Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff'), the Citizens' Utility Board of Oregon ("CUB"), Fred Meyer Stores and Quality Food Centers, Division of Kroger Co. ("Kroger"), and the Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Stipulating Parties").

The Stipulating Parties previously submitted a Partial Stipulation resolving a number of issues in this docket. Subsequent to the time the agreements contained in that Partial Stipulation were reached, the Stipulating Parties continued settlement discussions. Settlement Conferences were held on July 7, 8, 11, and 28, and August 19, 2014. As a result of those discussions, the Stipulating Parties have reached a compromise settlement of a number of issues in this docket, as described in detail below. With this Stipulation, the Stipulating Parties have resolved all issues in this docket except for CUB's proposal to include energy efficiency in the marginal cost of service study.

TERMS OF SECOND PARTIAL STIPULATION

1. This Partial Stipulation resolves the issues identified below.

   a. S-2 Customer Accounts. There will be no adjustment for this issue.

   b. S-7 Postage and S-14.1 D&O Insurance. Test-year expense will be reduced by a total of $0.9 million for these two issues.

   c. S-12 Pension. Rate base in this docket will be reduced by $45.5 million.

   d. S-17 Rate Base. Test-year rate base will be reduced by a total of $80 million. Of this amount, $32.7 million relates to a correction of deferred taxes included in rate base and $10 million is in recognition of past capitalized financial performance based incentives. For regulatory purposes, this $10 million rate base adjustment will be amortized over 20 years. This resolves all issues regarding past capitalization of incentives. Beginning in 2015, PGE will not capitalize financial performance based incentives. The $80 million reduction does not include, but is cumulative to, rate base reductions agreed to in the Partial Stipulation filed with the Commission on July 17, 2014.

   e. S-25 Environmental Remediation. Test-year expense will be reduced to $1.55 million. PGE's request for an accounting order is withdrawn.

   f. S-11 and S-13 Compensation and Medical Benefits. To resolve all issues regarding compensation, benefit costs, employee numbers (FTEs) and all other compensation-related issues, test year expenses will be reduced by $9.0 million divided between O&M and capital resulting in a $6.417 million reduction to O&M expense and a $2.583 million reduction to rate base.

g. Power Resources Cooperative (PRC). To resolve ICNU's issues regarding PGE's acquisition of PRC's 10% ownership share of the Boardman plant, PGE agrees to an earlier payment to customers for: 1) the net economic value of the transaction, totaling approximately $3.6 million; and 2) the power purchase agreement bookout, totaling approximately $2.2 million. These payments will be refunded through Schedule 105 over the calendar years 2015 and 2016.

h. Load Forecast Price Elasticity. In docket UE 228, the Commission approved a stipulation between PGE, Staff, and CUB, which provided that in AUT dockets where the overall projected impact of the Schedule 125 change is less than 3%, a price elasticity adjustment would not be included in the load forecast. In this docket Staff proposed, and the other Stipulating Parties agree, that in years when PGE has a general rate case, a price elasticity adjustment should be included in the load forecast used for the rate case and the AUT docket if separate, regardless of the size of the requested price change. The Stipulating Parties request that the Commission, through approval of this Stipulation, modify the agreement submitted in docket UE 228. The Stipulating Parties that are also taking an active role in PGE's current AUT proceeding, Docket UE 286, will submit a stipulation in that docket consistent with this paragraph.

i. Reactive Power. At the request of Staff, PGE will perform a KVAR cost study prior to its next general rate case. PGE will present the results of the study at an appropriate pricing workshop prior to its next general rate case.

j. Port Westward 2 and Tucannon River Wind Farm. The Stipulating Parties agree that PGE's decisions to construct Port Westward 2 ("PW2") and Tucannon River

Wind Farm ("Tucannon") were prudent and that the Commission should approve the PW2 and Tucannon tariff riders requested by PGE to reflect the prudently incurred costs and benefits of those plants in rates when they begin providing service to customers with the following changes and additions:

i. For determining rates in this docket only, the gross plant for PW2 will be $323,227,000 and the gross plant for Tucannon will be $524,617,000. If actual capital costs for PW2 or Tucannon are lower than the stated amounts, PGE will refund the 2015 revenue requirement difference resulting from the lower capital costs, with interest at its overall authorized cost of capital, beginning January 1, 2016. If PW2 or Tucannon capital costs are higher than the designated amount, parties may examine the prudence of such additional costs in PGE's next general rate case.

ii. PGE will file attestation by an officer when each of the two plants is placed in service.

iii. If PW2 or Tucannon is not completed and in service by March 31, 2015, the conditions for review of the costs of the non-completed plant or plants proposed by Staff in its Exhibit 902 will apply.

iv. Power Cost Adjustment. As part of the settlement of matters in this docket, including issues regarding the prudence of PW2 and Tucannon, and PGE's election of Bonneville Power Administration's Variable Energy Resource Balancing Service 30/60 committed scheduling for integration of Biglow and Tucannon, the Stipulating Parties have agreed to, and will stipulate to, a $2.5 million reduction of PGE's net variable power cost in the related power cost docket, UE 286.

k. Customer Marginal Cost. Staff's proposals regarding costs for printing and mailing, specialized billing, and electronic billing will be incorporated in the marginal cost study in this docket. The marginal costs for Schedules 89 and 90 will continue to be averaged as proposed in PGE's initial testimony.

l. Line Extensions. In the Line Extension Agreement signed by PGE and the customer, PGE will make more prominent the maximum refund a customer may be due when other customers connect to the line. After PGE has fully implemented the Maximo Wave 2 project and asset management system, anticipated to be in October 2014, PGE will electronically track potential line extension refunds.

m. Pricing. The Schedule 7 Basic Charge will remain $10.00 per month. The on/off peak energy price differential for Schedules 83, 85, 89, and 90 will increase to 1.5 cents per kWh. PGE will host a workshop with the Stipulating Parties in 2015 to discuss pricing issues, including the proposals Staff and other parties raised in this docket. Customer impact offset contributions will be limited so that tariff schedules do not contribute to the extent the schedule's increase is more than 1.5% more than the overall cost of service price increase. Increases for Schedules 47 and 49 will be limited to the greater of 12% or three times the overall cost of service price increase.

n. Generation Marginal Cost. For purposes of settlement, the results of Staff's proposed generation marginal cost methodology, adjusted to account for using

RECs to meet a portion of the RPS requirements, will be used in this docket with the caveat that CUB's proposal to include energy efficiency in the marginal cost of service study, if adopted, would modify the Staff marginal cost study. Other parties do not agree that the methodology would be appropriate for use in future dockets.

o. Kroger. Consistent with the recommendation of Kroger, the secondary/primary demand and facility charge price differential for Schedule 85 and its direct access equivalents will be maintained at their current levels.

p. RPS Carve-out. PGE withdraws its proposal to carve out from its power cost adjustment mechanism the costs associated with its resources used to meet Oregon's renewable portfolio standard.

q. Production Tax Credits. In consideration of ICNU's proposal to remove production tax credit carry-forwards from rate base, PGE agrees to reduce revenue requirement by $1 million.

r. Return on Equity. PGE's authorized return on equity in this case will be 9.68%.

3. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as appropriate and reasonable resolutions of the identified issues in this docket.

4. The Stipulating Parties agree that this Stipulation is in the public interest, and will contribute to rates that are fair, just and reasonable, consistent with the standard in ORS 756.040.

5. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all of the Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

6. The Stipulating Parties have negotiated this Stipulation as an integrated document. The Stipulating Parties, after consultation, may seek to obtain Commission approval of this Stipulation prior to evidentiary hearings. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Stipulating Party reserves its right: (i) to withdraw from the 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, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission's final order. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

7. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, and provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

8. 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 2nd day of September, 2014.

PORTLAND GENERAL ELECTRIC COMPANY

STAFF OF THE PUBLIC UTILITY

COMMISSION OF OREGON

CITIZENS' UTILITY BOARD OF OREGON

INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

THE KROGER CO.

PORTLAND GENERAL ELECTRIC COMPANY

STAFF OF THE PUBLIC UTILITY

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OF OREGON

S. Bradley Van Cleve

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

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NORTHWEST UTILITIES

THE KROGER CO.

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE 283

PORTLAND GENERAL ELECTRIC COMPANY

Joint Testimony in Support of Second Partial Stipulation

Marianne Gardner
Kevin Higgins
Bob Jenks
Rob Macfarlane
Bradley Mullins

September 2, 2014

Table of Contents

I. Introduction

Q. Please state your names and positions.

A. My name is Marianne Gardner. I am a Senior Revenue Requirement Analyst in the Energy Division at the Public Utility Commission of Oregon (OPUC). My qualifications appear in OPUC Exhibit 101.

My name is Kevin Higgins. I am Principal with Energy Strategies, LLC and am testifying on behalf of the Kroger Co. My qualifications appear in FM Exhibit 100.

My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board of Oregon (CUB). My qualifications appear in CUB Exhibit 101.

My name is Rob Macfarlane. I am a Project Manager for Portland General Electric (PGE). My qualifications appear in PGE Exhibit 300.

My name is Bradley Mullins. I am an independent consultant testifying on behalf of the Industrial Customers of Northwest Utilities (ICNU). My qualifications appear in ICNU Exhibit 101.

Q. What is the purpose of your testimony?

A. Our purpose is to describe the Second Partial Stipulation (Partial Stipulation) reached among the OPUC Staff (Staff); CUB; ICNU; Fred Meyer Stores and Quality Food Centers, Divisions of The Kroger Co. (Kroger); and PGE (collectively, the Stipulating Parties) regarding the remaining revenue requirement issues, all load forecasting issues, most rate spread[1] issues, and all rate design issues in this docket (UE 283). While there are other parties to this case, we are not aware of any who oppose this Partial Stipulation. For

[1] The remaining rate spread issue is CUB's regarding industrial energy efficiency/marginal cost of service as outlined in CUB/100, Jenks-McGovern/20-43.

convenience, we use the issue numbers assigned in the May 27, 2014 Staff Issues List where applicable.

Q. What is the basis for the Partial Stipulation?

A. PGE filed this general rate case on February 13, 2014. During the next five to six months, PGE responded to more than 800 data requests from Staff, CUB, ICNU, and other parties. On May 16, Staff provided an initial analysis of numerous issues and the Stipulating Parties participated in Settlement Conferences on May 20 and May 27, during which other parties also identified issues. The Stipulating Parties held additional settlement discussions on July 7, 8, 11, and 28 and August 19. During those discussions, proposals were advanced and modified by the Stipulating Parties resulting in compromises that parties deemed reasonable for settlement purposes.

Q. Please summarize the agreement contained in the revenue requirement portion of the Partial Stipulation.

A. The Partial Stipulation represents the settlement of several revenue requirement issues. A copy of the Partial Stipulation is provided as Exhibit 201. Table 1 summarizes the settled revenue requirement issues with a short description.

Table 1
Second Revenue Requirement Partial Settlement
(Stipulated Issues with approximate adjustments)

Issue No.	Category	Description
S-0	Return on Equity	9.68%
S-2	Customer Accounts	No adjustment
S-7 and S14.1	Postage and D&O Insurance	Reduce O&M expense by $0.9 million
S-12	Pension	Reduce rate base by $45.5 million
S-17	Rate Base	Reduce rate base by $80 million
S-25	Environmental Remediation	Reduce O&M expense by $1.55 million
S-11 and S-13	Compensation and Medical Benefits	Reduce O&M expense by $6.417 million Reduce rate base by $2.583 million
	PTC Rate Base	Reduce Revenue Requirement by $1.0 million
	Net Variable Power Costs	Reduce Net Variable Power Costs by $2.5 million

Q. Are there any other issues resolved, or partially resolved by the revenue requirement portion of the Partial Stipulation?

A. Yes. The Stipulating Parties agree on the prudence of Port Westward 2 (PW2) and Tucannon River Wind Farm (Tucannon) as explained in this testimony. In addition, PGE agrees to withdraw its RPS carve-out proposal.

Q. Does this Partial Stipulation indicate that all parties agree on the calculations or bases employed by other parties to determine each adjustment?

A. No. Although the Stipulating Parties may not necessarily agree on the calculations, assumptions, or bases used to determine each adjustment, we believe the amounts represent a reasonable financial settlement of the respective issues in this docket. The adjustments are in the public interest and are consistent with rates that are fair, just, and reasonable.

Q. Please summarize the rate spread, rate design, and load forecasting portion of the Partial Stipulation.

A. This Partial Stipulation represents the settlement of all rate spread, rate design, and load forecasting issues among the Stipulating Parties. The Stipulating Parties agree that, except as noted below, it is appropriate to spread costs to the individual rate schedules using PGE's filed marginal cost study and the rate design principles contained in PGE's filing in this docket. The exceptions include:

1) Customer service marginal cost study.
2) Line Extensions.
3) Schedule 7 Basic Charge.
4) Schedules 83, 85, 89, and 90 on/off peak price differential.
5) Customer Impact Offset.
6) Generation Marginal Cost Study

7) Schedule 85 Demand and Facility price differentials.

In addition, the parties agree to hold a workshop to discuss pricing-related issues including a reactive power study.

Q. Does the Partial Stipulation resolve all issues in this proceeding?

A. This Partial Stipulation resolves all issues in this case except for CUB's proposal to include energy efficiency in the marginal cost of service study. Adoption of CUB's proposal to include energy efficiency in the marginal cost of service study would modify the Staff marginal cost study adopted in this docket.

II. Resolved Revenue Requirement Issues

Q. Please describe the Partial Stipulation regarding rate of return (S-0).

A. The Stipulating Parties agree to an authorized return on equity of 9.68% for settlement purposes. This settlement is a compromise between PGE's estimated required return on equity and those estimated by Staff and ICNU. This estimate is between the highest estimate in Staff's and ICNU's ranges, but lower than that estimated by PGE. As such, the settlement represents a compromise by all parties.

Q. Have capital structure and cost of debt been agreed to by parties in this case?

A. Yes, the stipulation filed with the Commission on July 17, 2014 provides the details of the stipulation regarding PGE's capital structure and cost of debt.

Q. Please describe the Partial Stipulation regarding Customer Accounts (S-2).

A. The Stipulating Parties agree to no adjustment to PGE's filed customer account expense.

Q. Please describe the Partial Stipulation regarding Postage (S-7) and D&O Insurance (S-14.1).

A. The Stipulating Parties agree to reduce PGE's test year expense by $0.900 million, relating to both postage and D&O insurance. The adjustment is based on postage increases closer to the rate of inflation and sharing of "excess layers" D&O insurance. Although an agreement on a specific reduction for each individual item could not be achieved, the Stipulating Parties agree that the combined adjustment is a reasonable outcome for settlement purposes.

Q. Please describe the Partial Stipulation regarding Pension (S-12).

A. The Stipulating Parties agree to reduce PGE's rate base by $45.5 million. This adjustment reflects the removal of the prepaid pension asset for settlement purposes.

Q. Please describe the Partial Stipulation regarding rate base (S-17).

A. PGE's initial filing included rate base as of December 31, 2014 of approximately $3.059 billion excluding PW2 and Tucannon. Staff raised concerns with several projects regarding their being used and useful by the start of the test year and with prior years' capitalized incentives based on financial performance. In addition, PGE had discovered a deferred income tax error in the initial filing that reduced rate base. While PGE does not agree with Staff's approach, PGE agreed it represented an acceptable outcome for settlement purposes. The Stipulating Parties agree that test year rate base will be reduced by $80 million. This reflects the removal of $47.3 million for projects not expected to close by year-end 2014, $10.0 million for capitalized incentives based on financial performance, and $32.7 million for the correct amount of accumulated deferred income taxes.

Q. Does this resolve all issues regarding capitalization of incentives?

A. Yes, the Stipulating Parties agree that the $10 million reduction to rate base for capitalized incentives based on financial performance resolves all issues around capitalized incentives through December 31, 2014. Going forward, the Stipulating Parties agree that PGE will capitalize incentives consistent with the regulatory treatment of incentives generally. If performance-based incentives are not approved for recovery, then PGE will not capitalize them.

Q. Please describe the Partial Stipulation regarding Environmental Remediation (S-25).

A. The Stipulating Parties agree to reduce PGE's test year expense by $1.55 million, relating to environmental remediation of the area known as Downtown Reach. This adjustment is based on PGE's revised expectation that half of the forecasted $3.1 million of expenses will be spent in 2015. In addition, the Stipulating Parties agree that PGE will withdraw its request for an accounting order relating to environmental remediation of Downtown Reach and Portland Harbor generally.

Q. Please describe the Partial Stipulation regarding compensation-related issues (S-11 and S-13).

A. The Stipulating Parties agree to a reduction to PGE's test year expense of $6.417 million and rate base of $2.583 million. Included in these reductions are wages and salaries, full time equivalent (FTE) employee numbers, incentives, overtime, payroll taxes, and medical benefits. Although the Stipulating Parties did not agree on the specific makeup of the various components of the reductions, the Stipulating Parties agree that this represents a balanced result for settlement purposes.

Q. Please describe the Partial Stipulation regarding Power Resources Cooperative (PRC) (S-24).

A. PGE's supplemental filing in this docket introduced the details of the proposal to purchase 10% of the Boardman coal plant from PRC. PGE proposed to flow the payment from PRC for the net economic value back to customers over four years from 2015 to 2018 and flow the power purchase agreement bookout to customers in 2019 and 2020. ICNU proposed to flow all payments to customers as a credit in 2015. The Stipulating Parties agree to provide the following credits to customers in 2015 and 2016: 1) the net economic value of the transaction, totaling approximately $3.6 million; and 2) the power purchase agreement bookout, totaling approximately $2.2 million. PGE will provide the payment through Schedule 105. Advancing these payments to 2015-2016 does not change the economics of the sale.

Q. Please describe the Partial Stipulation regarding Port Westward 2 (PW2) and Tucannon River Wind Farm (Tucannon).

A. The Stipulating Parties agree that PGE's decisions to construct PW2 and Tucannon were prudent and that the Commission should approve the PW2 and Tucannon tariff riders requested by PGE to reflect the costs and benefits of those plants in rates beginning with the on-line date of each plant. In addition, the Stipulating Parties agree to the following four changes and additions.

First, for revenue requirement purposes in this docket only, the gross plant amount for PW2 will be $323,227,000 and the gross plant amount for Tucannon will be $524,617,000. If the actual capital cost for each plant is lower than the stated amount, PGE will refund, in 2016, the 2015 revenue requirement difference resulting from the lower capital costs with interest at its overall authorized cost of capital. If the actual capital cost for each plant is higher than the stated amount, parties may examine the prudence of the additional costs in PGE's next general rate case.

Second, PGE agrees to file an attestation by an officer of the company when each of the two plants is placed in service.

Third, in the event that either PW2 or Tucannon is not completed and in service by March 31, 2015, the conditions for review of the plants' costs as proposed by Staff will apply (see Staff Exhibit 902).

Last, in its opening testimony, ICNU expressed concerns regarding the prudence and usefulness of the Beaver PTP Transmission Contract and PGE's recent VERBS election considering the addition of PW2. The Stipulating Parties agree to a reduction of $2.5 million in PGE's net variable power costs in Docket UE 286 to resolve those issues.

Q. Please describe the Partial Stipulation regarding production tax credits.

A. In its opening testimony, ICNU recommended that PGE remove production tax credit carry-forwards from rate base to the extent they could have been used in the test year based on PGE's normalized taxes. For settlement purposes, the Stipulating Parties agree to reduce PGE's revenue requirement by $1.0 million to resolve this issue.

Q. Please describe the Partial Stipulation regarding PGE's RPS carve-out proposal.

A. PGE agrees to withdraw its RPS carve-out proposal from this case.

Q. Will there be additional updates to the revenue requirement?

A. Yes. PGE will update its net variable power costs consistent with the schedule in Docket UE 286 and the load forecast in the October 1 net variable power cost update.

III. Resolved Pricing and Load Forecasting Issues

Q. What does Staff propose regarding line extensions?

A. Staff proposes that PGE identify and send line extension refunds to eligible customers when applicable even if the customer has not requested a refund. Staff also proposes an accounting methodology for when line extension refunds do occur. Finally, Staff proposes that PGE inform customers of the maximum amount of potential line extension refund they may be able to receive from PGE at a future date should subsequent customers connect to a line extension for which they paid an amount in excess of the line extension allowance.

Q. How do the parties propose to resolve the first line extension issue, the tracking of eligible refunds?

A. PGE proposes to create an electronic database of potential customers eligible for line extension refunds when its Maximo work management system becomes operational in October 2014. In this manner, PGE can better identify line extension refund situations.

Q. How do the parties propose to resolve the second line extension issue, accounting for refunds?

A. PGE currently accounts for refunds in a manner similar to that proposed by Staff. Hence, the Staff recommendation is already largely incorporated into PGE's line extension policy.

Q. How do the parties propose to resolve the third line extension issue, informing customers of the maximum potential line extension refund they may be able to receive at a future date?

A. In the Line Extension Agreement that it signs with the customer/applicant, PGE already specifies the maximum amount of potential refund for which the customer/applicant may be eligible. PGE will make minor adjustments to this Agreement to make the potential refund more prominent.

Q. What does Staff propose regarding reactive demand charges for PGE's large nonresidential schedules?

A. Staff proposes that for its next general rate case, PGE should study the costs related to reactive power in order to update the reactive demand charge. Staff also states that if there appears to be significant cost shifting due to reactive power, PGE should incorporate reactive power costs into its marginal cost study.

Q. How do the parties settle this issue?

A. PGE proposes to investigate whether the current reactive demand charges for large nonresidential customers are appropriate relative to the costs of mitigating reactive power, and to present its findings in a pricing-related workshop in 2015.

Q. What does Staff propose regarding the calculation of customer marginal costs?

A. Staff proposes that PGE change the calculation of three components of customer marginal cost, correct a minor error in the billing calculations for outdoor lighting, and to separately identify the customer marginal costs for Schedules 89 and 90.

Q. How do the parties resolve these marginal customer cost issues?

A. The parties agree that it is appropriate to incorporate the Staff proposals related to the three customer marginal costs items and to make the minor correction for the billing of outdoor lighting. In the interest of settlement, the parties further agree that the customer marginal costs will continue to be averaged, as proposed in PGE's initial testimony, for Schedules 89 and 90.

Q. What does Staff propose regarding the calculation of marginal generation costs?

A. Consistent with the UE 262 Second Partial Stipulation, PGE did not include wind resources in its generation marginal cost estimates for this docket. Staff proposes to include wind resources in the generation marginal cost study, classifying the wind resource costs as an energy cost, and further including integration and flexible capacity costs as energy costs. Staff proposes no change in the manner in which PGE calculates generation capacity costs.

Q. Please specify how the parties settle the marginal generation cost issue.

A. The parties do not agree on an appropriate methodology for the calculation of generation marginal costs. The parties have settled the marginal generation cost issue with the exception of CUB's proposal to include energy efficiency in the marginal cost of service study. The parties agree to use the marginal energy cost values calculated by Staff, as modified to account for the purchases of unbundled renewable energy certificates. The parties note that the difference in the marginal energy cost values calculated by PGE and Staff are relatively small (the PGE marginal energy cost is $49.88/MWh, the Staff value is $51.26/MWh) hence settlement is appropriate due to the relatively minor impacts. However, should CUB's proposal to include energy efficiency in the marginal cost of service study be adopted, such adoption would modify Staff and PGE's currently stipulated to marginal cost of service study.

Q. What does Staff propose regarding rate spread and rate design?

A. Staff proposes that PGE maintain its current Schedule 7 Basic Charge at $10.00/month rather than raise it to $11.00/month as PGE proposes. Staff also proposes incorporating generation demand charges similar to coincident peak demand charges for PGE's large nonresidential customers, and to have three peak periods for the energy charge, rather than the current two peak periods. Staff further proposes changes to how the Customer Impact Offset (CIO) is calculated, and finally, Staff proposes that PGE sponsor a workshop to discuss their pricing proposals, the pricing proposals of others, and customer reactions to the various proposals.

Q. How do the parties resolve the Schedule 7 Basic Charge issue?

A. In the interest of settlement, the parties agree to maintain the current Schedule 7 Basic Charge at $10.00/month.

Q. Have the parties settled on a manner in which to price the generation-related costs of large nonresidential customers?

A. Yes, for the purposes of settlement, the parties agree to maintain the same peak-period structure of on- and off-peak energy charges, but to enlarge the differences between these two periods from the current 1.0 cents/kWh differential to 1.5 cents/kWh. In this manner, generation capacity costs are better reflected in prices. The parties also agree to have a pricing workshop in 2015 to discuss Staff's and other parties' pricing proposals.

Q. Please describe the parties' resolution of the CIO.

A. The parties agree that it is appropriate to cap the base rate change for irrigation schedules at the greater of 12% or three times the overall base rate change, and that no rate schedule will contribute to the CIO mitigation if their base rate change exceeds the average base rate change by more than 1.5%.

Q. Please describe the Partial Stipulation regarding Load forecasting (S-16).

A. A Stipulation adopted by the Commission in UE 228 specified that in AUT dockets where the overall projected impact of the Schedule 125 change is less than 3%, a price elasticity adjustment would not be included in the load forecast. In this docket Staff proposed and the other Stipulating Parties agree, that in years when PGE has a general rate case, that a price elasticity adjustment should be included in the load forecast regardless of the size of the requested price change. The same load forecast is used for both the general rate case and

AUT docket, if separate. The Stipulating Parties request that the Commission, through approval of this Stipulation, modify the agreement submitted in docket UE 228.

Q. Did PGE make any other changes to the load forecast?

A. Yes. Staff found an error in the price elasticity calculations as submitted in the original filing in this case. PGE corrected the error in the June load forecast. PGE will include the correction in the load forecast going forward as well.

Q. Does this agreement resolve all issues regarding load forecasting methodologies in this case?

A. Yes. PGE will update the load forecast in the October 1 net variable power cost update.

Q. What is your recommendation to the Commission regarding these adjustments?

A. The Stipulating Parties recommend and request that the Commission approve these adjustments. Based on careful review of PGE's filing, consideration of PGE's responses to over 800 data requests, and thorough analysis of the issues during seven days of settlement conferences, we believe these adjustments represent appropriate and reasonable resolutions of the respective issues in this docket. Rates reflecting these adjustments will be fair, just, and reasonable.

Q. Does this conclude your testimony?

A. Yes.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 283

In the Matter of	)	
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PORTLAND GENERAL ELECTRIC COMPANY	)	**SECOND PARTIAL STIPULATION**
	)	
Request for a General Rate Revision.	)	

This Partial Stipulation ("Stipulation") is between Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), Fred Meyer Stores and Quality Food Centers, Division of Kroger Co. ("Kroger"), and the Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Stipulating Parties").

The Stipulating Parties previously submitted a Partial Stipulation resolving a number of issues in this docket. Subsequent to the time the agreements contained in that Partial Stipulation were reached, the Stipulating Parties continued settlement discussions. Settlement Conferences were held on July 7, 8, 11, and 28, and August 19, 2014. As a result of those discussions, the Stipulating Parties have reached a compromise settlement of a number of issues in this docket, as described in detail below. With this Stipulation, the Stipulating Parties have resolved all issues in this docket except for CUB's proposal to include energy efficiency in the marginal cost of service study.

TERMS OF SECOND PARTIAL STIPULATION

1. This Partial Stipulation resolves the issues identified below.

   a. S-2 Customer Accounts. There will be no adjustment for this issue.

   b. S-7 Postage and S-14.1 D&O Insurance. Test-year expense will be reduced by a total of $0.9 million for these two issues.

   c. S-12 Pension. Rate base in this docket will be reduced by $45.5 million.

   d. S-17 Rate Base. Test-year rate base will be reduced by a total of $80 million. Of this amount, $32.7 million relates to a correction of deferred taxes included in rate base and $10 million is in recognition of past capitalized financial performance based incentives. For regulatory purposes, this $10 million rate base adjustment will be amortized over 20 years. This resolves all issues regarding past capitalization of incentives. Beginning in 2015, PGE will not capitalize financial performance based incentives. The $80 million reduction does not include, but is cumulative to, rate base reductions agreed to in the Partial Stipulation filed with the Commission on July 17, 2014.

   e. S-25 Environmental Remediation. Test-year expense will be reduced to $1.55 million. PGE's request for an accounting order is withdrawn.

   f. S-11 and S-13 Compensation and Medical Benefits. To resolve all issues regarding compensation, benefit costs, employee numbers (FTEs) and all other compensation-related issues, test year expenses will be reduced by $9.0 million divided between O&M and capital resulting in a $6.417 million reduction to O&M expense and a $2.583 million reduction to rate base.

g. Power Resources Cooperative (PRC). To resolve ICNU's issues regarding PGE's acquisition of PRC's 10% ownership share of the Boardman plant, PGE agrees to an earlier payment to customers for: 1) the net economic value of the transaction, totaling approximately $3.6 million; and 2) the power purchase agreement bookout, totaling approximately $2.2 million. These payments will be refunded through Schedule 105 over the calendar years 2015 and 2016.

h. Load Forecast Price Elasticity. In docket UE 228, the Commission approved a stipulation between PGE, Staff, and CUB, which provided that in AUT dockets where the overall projected impact of the Schedule 125 change is less than 3%, a price elasticity adjustment would not be included in the load forecast. In this docket Staff proposed, and the other Stipulating Parties agree, that in years when PGE has a general rate case, a price elasticity adjustment should be included in the load forecast used for the rate case and the AUT docket if separate, regardless of the size of the requested price change. The Stipulating Parties request that the Commission, through approval of this Stipulation, modify the agreement submitted in docket UE 228. The Stipulating Parties that are also taking an active role in PGE's current AUT proceeding, Docket UE 286, will submit a stipulation in that docket consistent with this paragraph.

i. Reactive Power. At the request of Staff, PGE will perform a KVAR cost study prior to its next general rate case. PGE will present the results of the study at an appropriate pricing workshop prior to its next general rate case.

j. Port Westward 2 and Tucannon River Wind Farm. The Stipulating Parties agree that PGE's decisions to construct Port Westward 2 ("PW2") and Tucannon River

Wind Farm ("Tucannon") were prudent and that the Commission should approve the PW2 and Tucannon tariff riders requested by PGE to reflect the prudently incurred costs and benefits of those plants in rates when they begin providing service to customers with the following changes and additions:

i. For determining rates in this docket only, the gross plant for PW2 will be \$323,227,000 and the gross plant for Tucannon will be \$524,617,000. If actual capital costs for PW2 or Tucannon are lower than the stated amounts, PGE will refund the 2015 revenue requirement difference resulting from the lower capital costs, with interest at its overall authorized cost of capital, beginning January 1, 2016. If PW2 or Tucannon capital costs are higher than the designated amount, parties may examine the prudence of such additional costs in PGE's next general rate case.

ii. PGE will file attestation by an officer when each of the two plants is placed in service.

iii. If PW2 or Tucannon is not completed and in service by March 31, 2015, the conditions for review of the costs of the non-completed plant or plants proposed by Staff in its Exhibit 902 will apply.

iv. Power Cost Adjustment. As part of the settlement of matters in this docket, including issues regarding the prudence of PW2 and Tucannon, and PGE's election of Bonneville Power Administration's Variable Energy Resource Balancing Service 30/60 committed scheduling for integration of Biglow and Tucannon, the Stipulating Parties have agreed to, and will stipulate to, a $2.5 million reduction of PGE's net variable power cost in the related power cost docket, UE 286.

k. Customer Marginal Cost. Staff's proposals regarding costs for printing and mailing, specialized billing, and electronic billing will be incorporated in the marginal cost study in this docket. The marginal costs for Schedules 89 and 90 will continue to be averaged as proposed in PGE's initial testimony.

l. Line Extensions. In the Line Extension Agreement signed by PGE and the customer, PGE will make more prominent the maximum refund a customer may be due when other customers connect to the line. After PGE has fully implemented the Maximo Wave 2 project and asset management system, anticipated to be in October 2014, PGE will electronically track potential line extension refunds.

m. Pricing. The Schedule 7 Basic Charge will remain $10.00 per month. The on/off peak energy price differential for Schedules 83, 85, 89, and 90 will increase to 1.5 cents per kWh. PGE will host a workshop with the Stipulating Parties in 2015 to discuss pricing issues, including the proposals Staff and other parties raised in this docket. Customer impact offset contributions will be limited so that tariff schedules do not contribute to the extent the schedule's increase is more than 1.5% more than the overall cost of service price increase. Increases for Schedules 47 and 49 will be limited to the greater of 12% or three times the overall cost of service price increase.

n. Generation Marginal Cost. For purposes of settlement, the results of Staff's proposed generation marginal cost methodology, adjusted to account for using

RECs to meet a portion of the RPS requirements, will be used in this docket with the caveat that CUB's proposal to include energy efficiency in the marginal cost of service study, if adopted, would modify the Staff marginal cost study. Other parties do not agree that the methodology would be appropriate for use in future dockets.

o. Kroger. Consistent with the recommendation of Kroger, the secondary/primary demand and facility charge price differential for Schedule 85 and its direct access equivalents will be maintained at their current levels.

p. RPS Carve-out. PGE withdraws its proposal to carve out from its power cost adjustment mechanism the costs associated with its resources used to meet Oregon's renewable portfolio standard.

q. Production Tax Credits. In consideration of ICNU's proposal to remove production tax credit carry-forwards from rate base, PGE agrees to reduce revenue requirement by $1 million.

r. Return on Equity. PGE's authorized return on equity in this case will be 9.68%.

3. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as appropriate and reasonable resolutions of the identified issues in this docket.

4. The Stipulating Parties agree that this Stipulation is in the public interest, and will contribute to rates that are fair, just and reasonable, consistent with the standard in ORS 756.040.

5. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all of the Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

6. The Stipulating Parties have negotiated this Stipulation as an integrated document. The Stipulating Parties, after consultation, may seek to obtain Commission approval of this Stipulation prior to evidentiary hearings. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Stipulating Party reserves its right: (i) to withdraw from the 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, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission's final order. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

7. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, and provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

8. 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 24 day of September, 2014.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY

COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

PORTLAND GENERAL ELECTRIC COMPANY

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THE KROGER CO.

CERTIFICATE OF SERVICE

I hereby certify that I served the **SECOND PARTIAL STIPULATION AND JOINT TESTIMONY IN SUPPORT OF SECOND PARTIAL STIUPLATION** on behalf of the Stipulating Parties, by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 283.

DATED at Portland, Oregon, this 2nd day of September, 2014.

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