

ENTERED: SEP 17 2014

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 286

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,Net Variable Power Costs and Annual
Power Cost Update.

ORDER

DISPOSITION: STIPULATIONS ADOPTED; NET VARIABLE POWER COSTS, TARIFFS, AND ANNUAL POWER COST UPDATE TO BE REVISED; ORDER NO. 11-432 AMENDED

I. SUMMARY

In this order, we adopt the stipulations of the parties regarding Portland General Electric Company's 2014 proposed Net Variable Power Costs (NVPC) and the Annual Power Cost Update (APCU) reducing the PGE NVPC rate request by approximately \$24.7 million, and order PGE to file new tariffs reflecting the modifications and conditions set forth in the stipulations.

II. BACKGROUND

Each year, PGE files a forecast of its upcoming NVPC under the terms of its Annual Update Tariff (AUT), Schedule 125. The AUT is designed to allow PGE to revise customer rates to reflect changes in its projected power costs resulting from new information. The updated forecast is also used as a baseline to compare with the actual NVPC when PGE applies the power cost adjustment mechanism.

On February 13, 2014, PGE made a general rate case filing with tariff sheets in Advice No. 14-03, to be effective March 18, 2014. Concurrently, PGE filed its 2015 NVPC forecast of \$580.2 million, a reduction of approximately \$41.5 million relative to the final 2014 NVPC forecast in docket UE 266, the previous NVPC docket.¹ In addition to including minor corrections and parameter revisions allowed under its AUT, PGE also included the following revisions to its MONET forecasting model:

1. The inclusion of Port Westward 2 and Tucannon River Wind Farm as new resources;
2. Updates to the Boardman plant;

¹ (Docket No. 283) PGE/500, Niman-Peschka-Hager/1.

3. Transmission related updates;
4. Updates to Colstrip Units;
5. Wind-related updates;
6. The new Western Electricity Coordinating Council operating reserve standard;
7. Updating the estimated oil forward price basis differential; and,
8. The inclusion of the most recent Headwater Benefits study in hydro data.²

By Order No. 14-055, in docket UE 283, we suspended the tariff sheets and ordered that a proceeding be opened to examine the company's request for a general rate revision.

At the request of the parties, this docket was opened to separately examine the portion of PGE's filing related to the company's NVPC and APCU. The following parties in docket UE 283 were granted party status in this docket: the Citizens' Utility Board of Oregon (CUB); the Industrial Customers of Northwest Utilities (ICNU); Northwest Natural Gas Company, dba NW Natural; Noble Americas Energy Solutions; Fred Meyer Stores, The Kroger Company and Quality Food Centers (Kroger); the City of Portland; NW Energy Coalition; and Pacific Power, dba PacifiCorp.

On April 1, 2014, PGE filed supplemental testimony and an update to its MONET forecasting model. On April 15, 2014, PGE filed the MONET Update Minimum Filing Requirement (MFR) No. 23 in support of the April 1 update.

On May 27, 2014, Staff, CUB, and ICNU filed opening testimony. On May 30, 2014, PGE filed the Wind Day-Ahead Forecast Error Update. PGE filed rebuttal testimony on June 16, 2014 and Staff, CUB, and ICNU filed rebuttal testimony on July 3, 2014. PGE filed surrebuttal testimony on July 21, 2014.

Following settlement discussions, PGE, Staff, CUB, and ICNU (stipulating parties) filed two stipulations resolving all contested issues. The first partial stipulation, attached as Appendix A, was filed on July 22, 2014. The second partial stipulation, attached as Appendix B, was filed on September 2, 2014. Both stipulations and the stipulating parties' testimony in support of the stipulations are admitted as evidence in this proceeding.

III. DISCUSSION

The stipulations address nine contested issues. We address each issue separately, providing a summary of the parties' initial positions, the stipulated agreements to each, and our resolution.

1. Market Forward Curves

The Market Price Forecast (MPF) is a representation of the price at which energy can be purchased or sold by the company, forecasted by month for the twelve months comprising the test year peak and off-peak prices. The monthly prices are transformed into hourly prices, one price for each hour of the test year, for use in the MONET model.³

² *Id.* at 4-9.

³ Staff/100, Crider/3-4.

The Natural Gas Price Forecast (NGPF) is used to determine the production cost for all generation units that are fueled by natural gas. The production cost for each unit is the element that MONET uses to determine whether a plant generates or not on an hourly basis. The sum of these hourly decisions has a significant impact on the overall annual NVPC.⁴ PGE did not propose any changes to the MPF or NGPF methodologies used in the MONET model.

Staff conducted an analysis of projected versus actual prices in the three years' preceding the Annual Update Tariff proceedings and found a consistent overestimation of prices, which, in Staff's opinion, indicated a systemic forecasting error in every month.⁵ Staff therefore proposed to change the model by applying the average monthly variance (which it calculated and submitted as Staff Exhibit 102) to the company's flat MPF, which would then be used to create peak and off-peak monthly forecasts in the same manner as PGE derives its peak and off-peak forecast from the flat forecast. The resulting NVPC would be reduced by \$16 million from the latest PGE estimate.⁶ Staff proposed a similar model revision for the NGPF. When combined with the MPF changes, the NGPF proposal would reduce the NVPC by an additional \$6 million.⁷

In the stipulation, the parties agree that no changes would be made in the current model; however, the parties contemplate a workshop to address PGE's development of market forward curves and the role of hedging in the MONET power cost model.

We find this stipulated agreement to be a reasonable response to Staff's concerns and will allow PGE and other parties to examine various means to improve the accuracy of forecasting in the MONET model. However, to ensure that the process remains on schedule, we will require that PGE schedule and promptly notify the Commission when it has set a date for the workshop, which shall in no event be later than April 1, 2015.

2. Tucannon Capacity Factor

The original PGE filing assumed a capacity factor for the Tucannon River Wind Facility during the test period of 36.8 percent which was based on the value in the 2012 renewable request for proposals. PGE subsequently changed the site layout and developed a new study that forecasted a higher capacity factor, but did not want to use that factor until construction of the turbine foundations was completed. ICNU proposed that the new factor be used immediately.⁸

In the stipulation, the parties agree that, for purposes of both dockets UE 286 and UE 283, PGE will use a capacity factor of 38.2 percent for the Tucannon River Wind Farm. This higher capacity factor represents the average of the results of four draft studies performed since PGE selected Tucannon. PGE intends to update the final PGE commissioned wind study in the 2016 AUT proceeding and parties will have the opportunity to address the update in that proceeding.⁹

⁴ *Id.* at 8.

⁵ *Id.* at 4-5.

⁶ *Id.* at 6-7.

⁷ *Id.* at 11.

⁸ ICNU/100, Mullins/15.

⁹ Stipulating Parties/100, Crider-Jenks-Mullins-Niman/4.

We find this to be a reasonable solution and adopt this provision of the stipulation.

3. Tucannon Transmission Credits

As part of the Tucannon Wind Project, PGE acquired Bonneville Power Administration (BPA) point-to-point (PTP) transmission credits. The credits will be paid to PGE over a number of years as offsets to Tucannon's BPA PTP transmission costs. In the April 1 NVPC update filing, the MONET was updated to reflect an expected 60-day delay between the date the plant went on line and receipt of the first credits, *i.e.*, March 1, 2015. ICNU argued that credits should be given for all twelve months of the test period.¹⁰

The parties agree that the 2015 NVPC forecast will reflect the assumption that PGE will receive twelve months of credits. In the event that PGE receives less than twelve months of credits during 2015, the difference between the actual and forecasted amounts will be included in the 2016 NVPC forecast, but not subject to any interest charges. Credits will continue to be included in the forecasts in future proceedings for as long as the credits are available.¹¹

We adopt this provision of the stipulation as a reasonable resolution of the issue.

4. MONET Thermal Plant Dispatch Logic

In its opening testimony, ICNU stated that the dispatch logic in the MONET model erroneously assumes that every thermal facility is committed down in the hour immediately preceding the study period, causing each plant to incur start-up related costs in the first hours of the study, even though the plants may have been running prior to the study period. ICNU claims the model also assumed that the plant must be ramped down at the end of the test period.¹² ICNU proposed that plants which are economic in the first hour of the study period be assumed to be running at full capacity prior to the study period and plants that are economic in the last hour of the study period be assumed to be running at full capacity after the study period. The proposal applied only to Port Westward 1, Boardman, Coyote Springs, and Colstrip Units 3 and 4.¹³

The stipulation provides that PGE will modify the MONET thermal plant dispatch logic so that the initial and end state of the designated plants is at "full load" operation. Further, parties will not be precluded from proposing changes to the MONET dispatch logic in future proceedings.¹⁴

We find this provision of the stipulation to be reasonable and it is adopted.

¹⁰ *Id.* at 5-6, citing ICNU/100, Mullins/20-21.

¹¹ Stipulating Parties/100 at 5.

¹² ICNU/100, Mullins/21-22.

¹³ Stipulating Parties/100 at 6.

¹⁴ *Id.*

5. Colstrip Incremental Wheeling

Colstrip Units 3 and 4 were constructed in the mid-1980s and are jointly owned by PGE and five other electric utilities. The transmission system was designed to accommodate the combined capacity of those units; however, in the mid-1990s, each unit was upgraded with additional capacity. As a result, PGE's firm transmission rights became insufficient to wheel the full output of those units to PGE load and PGE now purchases incremental transmission in order to wheel the remaining output.¹⁵ ICNU asserted that the amounts included in the MONET did not reflect the amounts historically paid and proposed a \$0.38 million reduction to PGE's estimate of the 2015 Colstrip incremental wheeling expense.

PGE analyzed historical purchases made in a year reflecting approximately "normal" operations. As a result, the parties stipulate to an approximate \$0.17 million reduction in the 2015 Colstrip incremental wheeling expense.¹⁶

We find this provision of the stipulation to be reasonable and it is adopted.

6. Montana Beneficial Use Tax

Montana imposes a beneficial use tax on private uses of tax-exempt property. PGE is required to pay this tax for the use of certain transmission lines. ICNU asserted that the forecasted amount was far greater than in 2013; however, PGE noted that ICNU had inadvertently used 2013 actuals from a different Montana tax and provided 2013 actual beneficial use tax expenses. Those expenses supported the company's filed 2015 estimate.

In the stipulation, ICNU agrees to withdraw its proposed adjustment.¹⁷ We find this provision of the stipulation to be reasonable and it is adopted.

7. Load Forecast Price Elasticity

In docket UE 228, we approved a stipulation between PGE, Staff, CUB, and ICNU, which provided that, in AUT dockets, a price elasticity adjustment would not be included in the load forecast if the overall projected impact of the Schedule 125 change is less than 3 percent.

In docket UE 283, PGE's companion general rate case proceeding, Staff proposed, and all parties subsequently agreed, 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, regardless of the size of the requested price change.¹⁸ The parties ask that, through approval of the stipulation we will modify the agreement submitted in docket UE 228.

¹⁵ *Id.* at 6-7.

¹⁶ *Id.* at 7.

¹⁷ *Id.* at 8.

¹⁸ Second Partial Stipulation at 2.

We find that the requested change to the stipulation in docket UE 228 is reasonable, will provide for a more accurate load forecast in future annual update tariff dockets, and should be granted.

8. Wind Integration and Beaver Point-to-Point Transmission

ICNU raised several issues with respect to the prudence and managerial judgment of PGE.

ICNU asserted that PGE did not prudently manage its wind integration costs. According to ICNU, PGE justified the cost of the Port Westward II facility on the basis that it would self-integrate wind, but failed to take the necessary steps to self-integrate by the time the facility was placed in service. ICNU further maintained that PGE did not properly analyze and plan for its April 4, 2014 balancing in-service election, which impacted the first nine months of the test period.¹⁹

Next, ICNU challenged PGE's prudence in entering into a transmission contract with BPA for PTP transmission service from the Trojan substation to PGE's control area. ICNU contended that, following the construction of Port Westward and PGE's re-termination of the Beaver power facility to the Trojan transmission substation, Beaver was directly connected to PGE's system and there was no further need to purchase additional transmission from BPA. Nevertheless, PGE renewed the Beaver PTP contract with BPA for another five years. The contract was, therefore, in ICNU's view, not "used and useful" in the provision of service.²⁰

ICNU also noted that Port Westward II was evaluated in the Capacity RFP based on the assumption that it would use BPA wheeling to deliver power to loads. "Given the fact that the company recently renewed the [BPA PTP] contract and had the option to reduce the amount of capacity purchased * * * the remaining 315 MW should not be included in rates on the basis of both the used and useful and prudence ratemaking principles."²¹ ICNU ultimately proposed an approximately \$6.6 million reduction,²² Staff, however, found PGE's actions to have been reasonable and prudent.²³ CUB did not comment on the issue.

As a compromise position, the stipulating parties agreed to a \$2.5 million reduction to PGE's 2015 NVPC forecast, which would be reflected in the September NVPC update filing.²⁴ We find this provision of the stipulation to be reasonable compromise of the parties' respective analyses of the events discussed, and it is adopted.

¹⁹ ICNU/100, Mullins/4.

²⁰ *Id.* at 11-12.

²¹ *Id.* at 15.

²² ICNU/200, Mullins/2; Stipulating Parties/200, Crider-Higgins-Jenks-Mullins-Niman/3.

²³ Staff/200, Crider-Ordonez/9.

²⁴ Stipulating Parties/200 at 3.

VI. ORDER

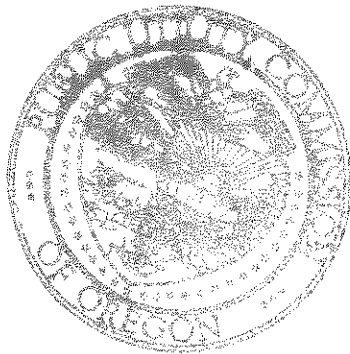
IT IS ORDERED that:

1. The partial stipulations between Portland General Electric Company, the Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, and the Industrial Customers of Northwest Utilities, attached as Appendices A and B, are adopted.
2. Order No. 11-432, entered November 2, 2011 in docket UE 228 is amended by the deletion of the first sentence of paragraph 4 in Appendix A, page 2.
3. Portland General Electric Company must file its final MONET run on or before November 14, 2014, producing the final Annual Update Tariff Adjustment for 2015.
4. Portland General Electric Company must file revised rate schedules consistent with this order to be effective no earlier than January 1, 2015.
5. Portland General Electric Company shall conduct a workshop, no later than April 1, 2015, to address the development of market forward curves and the role of hedging in the Monet power cost model.

Made, entered, and effective SEP 17 2014.

COMMISSIONER ACKERMAN WAS
UNAVAILABLE FOR SIGNATURE

Susan K. Ackerman
Chair




John Savage
Commissioner


Stephen M. Bloom
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 286

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY's

Net Variable Power Costs and Annual Power
Cost Update

PARTIAL STIPULATION

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 ("CUB"), and the Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Stipulating Parties").

I. INTRODUCTION

As part of its general rate case filing, docketed as UE 283, on February 13, 2014, PGE filed its annual power cost update as required by Tariff Schedule 125. That filing included testimony and work papers, including substantial minimum filing requirements ("MFRs"). Consistent with Schedule 125, PGE updated and supplemented its power cost filing and information required under the MFRs on April 1, 2014.

By order of the Commission, this docket was created for the power cost portion of PGE's general rate case.

The parties in this docket sent and PGE responded to data requests. PGE has filed, and will continue to file, updates to its power costs in accordance with the schedule set by the ALJ in this docket. Staff, CUB, and ICNU filed testimony on May 27, 2014. No other party filed testimony. The Stipulating Parties held settlement conferences on June 4 and

June 13, 2014. As a result of those discussions, the Parties have reached agreement settling several of the issues raised in this proceeding. The Stipulating Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles the issues set out below. Two issues raised by ICNU and one issue raised by OPUC Staff in this docket are not included in this Stipulation.
2. Market Forward Curves. The Stipulating Parties agree that no change will be made to power costs for this issue. The Stipulating Parties further agree that prior to April 1, 2015, PGE will host a workshop to address PGE's development of market forward curves and the role of hedging in the Monet power cost model.
3. Tucannon Capacity Factor. For purposes of this docket and Docket UE 283, a capacity factor of 38.2% will be used for the Tucannon River Wind Farm. PGE intends to update to the final PGE commissioned wind study in the 2016 AUT proceeding and parties will have the opportunity to address the update in that proceeding.
4. Monet Modeling Changes. PGE's Monet power cost model will be modified to reflect full load operation as the initial and end state for the following thermal plants: Boardman, Colstrip Units 3 & 4, Coyote Springs, and Port Westward I.
5. Colstrip Incremental Wheeling. Colstrip wheeling expense will be reduced by approximately \$0.17 million.
6. Tucannon Transmission Credits. Costs in this docket will reflect the assumption that PGE will receive twelve months of transmission credits in 2015 related to the Tucannon plant. If PGE receives less than twelve months of transmission credits, the difference between the assumed amount of credits and the actual amount of credits

received by PGE will be included, without interest, in net variable power costs for 2016.

PGE will include a forecast of the credits in future power cost proceedings for as long as the credits are available.

7. Montana Beneficial Use Tax. ICNU's proposed adjustment to expenses for the Montana Beneficial Use Tax is withdrawn.

8. Remaining Issues. The only issues remaining in this docket are the ICNU proposed adjustments for Beaver Point-to-Point Transmission costs and Wind Integration costs, and Staff's proposal to modify the order in docket UE 228, which would allow for price elasticity to be used in demand forecasting even if prices change by less than three percent in a general rate case proceeding.

9. This Stipulation is not precedential as to any issue or party, except as otherwise provided in the Stipulation.

10. The Stipulating Parties recommend and request that the Commission approve the adjustments described above to PGE's 2015 power costs as appropriate and reasonable resolutions of the issues settled herein.

11. 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.

12. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the parties. Without the written consent of all 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.

13. The Stipulating Parties have negotiated this Stipulation as an integrated document. 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 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 to appeal the Commission order under ORS 756.610. 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.

14. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-01-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, 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. The Stipulating Parties also agree to cooperate in drafting and submitting an explanatory brief and written testimony, per OAR § 860-001-0350(7), unless such requirement is waived. 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


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Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

15. 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 22nd day of July, 2014.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

15. 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 July, 2014.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

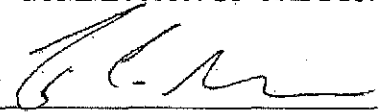
Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

15. 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 ____ day of July, 2014.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

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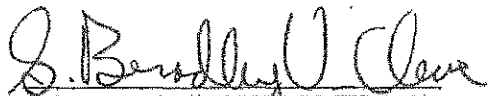
15. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this ____ day of July, 2014.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON



INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON****UE 286**

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY'sNet Variable Power Costs and Annual Power
Cost Update**SECOND PARTIAL STIPULATION**

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 ("CUB"), and the Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Stipulating Parties").

I. INTRODUCTION

On July 22, 2014, PGE, Staff of the Public Utility Commission ("Staff"), the Citizens' Utility Board ("CUB") and the Industrial Customers of Northwest Utilities ("ICNU") (together the "Stipulating Parties") filed a stipulation resolving all but three issues in this docket. No other parties filed testimony in this docket. The Stipulating Parties held further settlement discussions, the most recent on July 28, 2014. As a result of those discussions, the Stipulating Parties have reached an agreement resolving all remaining issues in this docket.

The Stipulating Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles the issues set out below.
2. Load Forecast Price Elasticity. In Docket UE 228, the Commission

approved a stipulation between PGE, Staff, CUB and ICNU, 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 PGE's current rate case, Docket UE 283, Staff proposed, and the other Stipulating Parties agreed, 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 general rate case will submit a stipulation in that docket consistent with this paragraph.

3. Wind Integration and Beaver Point-to-Point Transmission. PGE's net variable power costs will be reduced by \$2.5 million in this docket in settlement of issues regarding: (1) the prudence of PGE's decision to purchase variable energy resource balancing services from the Bonneville Power Administration ("BPA") in the test year; (2) the prudence of PGE's contract with the Bonneville Power Administration for point-to-point transmission service from the Beaver generating station; and (3) as part of a resolution of issues in PGE's general rate case, docket UE 283, related to the prudence of Port Westward 2.

4. This Stipulation is not precedential as to any issue or Stipulating Party, except as otherwise provided in the Stipulation.

5. The Stipulating Parties recommend and request that the Commission approve the adjustments described above to PGE's 2015 power costs as appropriate and reasonable resolutions of the issues settled herein.

6. 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.

7. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the parties. Without the written consent of all 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.


8. The Stipulating Parties have negotiated this Stipulation as an integrated document. 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 other Stipulating 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 to appeal the Commission's final order under ORS 756.610. 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.

9. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-01-0350(7). The Stipulating Parties agree to support this

Stipulation throughout this proceeding and in any appeal, 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. The Stipulating Parties also agree to cooperate in drafting and submitting an explanatory brief and written testimony, per OAR § 860-001-0350(7), unless such requirement is waived. 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.

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 2nd day of September, 2014.



PORTLAND GENERAL ELECTRIC
COMPANY

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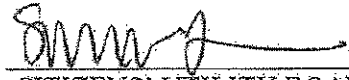
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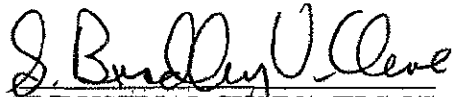

CITIZENS' UTILITY BOARD
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STAFF OF THE PUBLIC UTILITY
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CITIZENS' UTILITY BOARD
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INDUSTRIAL CUSTOMERS OF
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