

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 178

In the Matter of

OREGON PUBLIC UTILITY
COMMISSION STAFF

Requesting the Commission Direct
PORTLAND GENERAL ELECTRIC
COMPANY

To file tariffs establishing automatic
adjustment clauses under the terms of
SB 408

STIPULATION

This 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”).

I. INTRODUCTION

Pursuant to ORS 757.268 and OAR 860-022-0041, on October 15, 2007, PGE filed its tax report for calendar-years 2004, 2005 and 2006 (the “Tax Report”) and tariff revision sheets filed as Advice No. 07-24. On November 7, 2007, Chief ALJ Grant entered a procedural schedule for the docket. Pursuant to the procedural schedule, PGE filed opening testimony on December 3, 2007. On December 19, 2007, Staff filed an issues list and initial findings and ICNU filed an issues list. In connection with its initial findings (“Staff’s Initial Findings”), Staff requested that PGE amend its tax report for calendar-year 2006 to reflect Staff’s recommendations. In response to Staff’s request, PGE filed an amended 2006 tax report for calendar-year 2006 on January 2, 2008, reflecting some but not all of Staff’s recommendations (the “Amended 2006 Tax Report”). ICNU’s consultant worked with Staff and agreed with Staff’s Initial Findings. Settlement conferences were held on January 7,

2008, and January 17, 2008. As a result of those settlement discussions, the Stipulating Parties have agreed to the terms of this Stipulation and to submit the Stipulation to the Commission. The Stipulating Parties request that the Commission issue an order approving the Stipulation and implementing its terms.

II. SPECIFIC TERMS

A. Subject to the ultimate resolution of the remaining disputed issue set forth below in paragraph II.B.4, the Stipulating Parties agree that the net refund amount of \$37.2 million for federal, state and local taxes reflected in the Amended 2006 Tax Report for calendar-year 2006 is the proper resolution in this Docket. The federal and state tax adjustment reflected in the Amended 2006 Tax Report will be implemented through Schedule 140, a copy of which is attached as Exhibit A. The local tax adjustment reflected in the Amended 2006 Tax Report (a surcharge) will be implemented through PGE's existing Multnomah County Business Income Tax ("McBIT") Schedule 106.

B. This Stipulation resolves the outstanding issues related to PGE's Tax Report and Amended 2006 Tax Report except for the following unresolved issues:

1. (a) use of the results of operations in developing the ratios required by ORS 757.268; (b) use of the Oregon Schedule AP as the source data for lines 6-8 of page 2 and lines 7-9 of page 4 of the Staff Template; (c) application of the "greater of" determination between two partial years; (d) splitting the stand-alone liabilities from the results of operations between the two partial years; and (e) removal of Schedule M adjustments for the SB 408 accrual as well as regulatory disallowances prior to applying the Schedule M's for purposes of calculating the Stand-alone liability. The Stipulating Parties agree that these unresolved issues do not alter the reasonableness of the stipulated overall refund amount set forth in paragraph II.A. The Stipulating Parties expect that some, or all, of these issues will be addressed in a future rulemaking proceeding.

2. The Stipulating Parties do not agree whether the methodologies set forth in OAR 860-022-0041 are consistent with the goals of ORS 757.268. For the purposes of settlement, the Stipulating Parties agree only that the refund amount of \$37.2 million satisfies the methodologies as currently written in OAR 860-022-0041. The Stipulating Parties reserve the right to challenge the methodologies in OAR 860-022-0041 in another proceeding.

3. PGE has proposed to amortize the refund amount over two (2) years. ICNU opposes this amortization schedule and believes the refund should occur over one year. The Stipulating Parties wish to preserve their respective positions on this subject and will address it in briefs filed later in this docket.

4. As set forth in PGE's opening testimony, PGE's tax report for calendar-year 2006 passes through to customers the tax benefits associated with the sale of a non-utility asset (an LM 6000 turbine). PGE maintains that it is inappropriate and unconstitutional for customers to receive the tax benefit from the sale of unregulated assets when they were insulated from the cost of the unregulated asset and were never at risk for any loss associated with the sale. PGE acknowledges that the refund amount of \$37.2 million for the 2006 calendar year is consistent with ORS 757.268 and OAR 860-022-0041. Removal of the tax benefit from the LM 6000 sale from the Amended 2006 Tax Report would reduce the net refund amount by approximately \$4.9 million, resulting in a net refund amount of \$32.3 million. PGE supports such an adjustment based upon constitutional concerns. The other Stipulating Parties oppose it. The Stipulating Parties will address this issue in briefs filed later in this docket.

III. GENERAL TERMS

A. The Stipulating Parties agree that the Stipulation represents a compromise of the positions of the parties for the purpose of this docket. 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.

B. If this Stipulation is challenged by any other party to this proceeding, or any other party seeks a refund amount 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.

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

C. 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 the right to withdraw from this Stipulation upon written notice to the Commission and the other Stipulating Parties within five (5) business days of service of the final order that rejects this Stipulation or adds such material condition.

D. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-014-0085. The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to sponsor the Stipulation at the hearing, and recommend that the Commission issue an order implementing the terms of the Stipulation.

E. 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.

constitute one and the same agreement.

DATED this 1st day of February, 2008.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By *D. J. White*
Its *Counsel*

By _____
Its _____

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

CITIZENS' UTILITY BOARD OF OREGON

By _____
Its _____

By _____
Its _____

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constitute one and the same agreement.

DATED this 15th day of February, 2008.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By _____
Its _____

By *John Course*
Its _____

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

CITIZENS' UTILITY BOARD OF OREGON

By _____
Its _____

By _____
Its _____

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DATED this 1 day of February, 2008.

PORTLAND GENERAL ELECTRIC
COMPANY

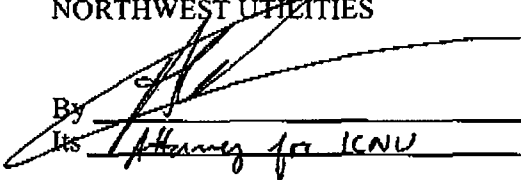
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By _____
Its _____

By _____
Its _____

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

CITIZENS' UTILITY BOARD OF OREGON

By 
Its Attorney for ICNU

By _____
Its _____

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DATED this 1 day of February, 2008.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By _____
Its _____

By _____
Its _____

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

CITIZENS' UTILITY BOARD OF OREGON

By _____
Its _____

By Bl. Ap...
Its Executive Director

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EXHIBIT A

**Portland General Electric Company
P.U.C. Oregon No. E-18**

Original Sheet No. 140-1

**SCHEDULE 140
INCOME TAX ADJUSTMENT**

PURPOSE

The purpose of this schedule is to (1) implement the automatic adjustment required by ORS 757.268 and (2) establish the balancing account and automatic adjustment clause required by the Commission implementing rule, OAR 860-022-0041.

APPLICABLE

To all bills for retail Electricity Service, except Schedule 9, Stable Rate Pilot.

BALANCING ACCOUNT

If the Commission determines that an adjustment to rates is required under ORS 757.268, the Company will, without waiving its right to seek judicial review, place the adjustment amount in a balancing account and file with the Commission to modify this adjustment schedule so as to credit or charge Customers the amount in the balancing account.

Interest will accrue at an appropriate rate as determined by the Commission.

Unless otherwise ordered by the Commission, revised rates under this schedule will become effective June 1st of each year.

MONTHLY RATE

The rate for all applicable schedules is (0.120) ¢ per kWh.

**Advice No. 07-24
Issued October 15, 2007
James J. Piro, Executive Vice President**

**Effective for service
on and after June 1, 2008**

PROPOSED TARIFF DO NOT BILL

CERTIFICATE OF SERVICE

I hereby certify that on this day I served the foregoing **STIPULATION** and **JOINT TESTIMONY AND EXHIBITS IN SUPPORT OF STIPULATION** by e-mail and/or mailing a copy thereof, to each party that has not waived paper service, in a sealed, first-class postage prepaid envelope, addressed to each party listed below and depositing in the US mail at Portland, Oregon.

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DATED this 1st day of February, 2008.

TONKON TORP LLP

By 

DAVID W. WHITE, OSB No. 01138
Attorneys for Portland General Electric Company

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