



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

January 21, 2010

Via Email and US Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street, N.E., Ste 215
Salem, OR 97308-2148

RE: UE 178 (3) 2009 PGE Tax Report for 2008

Attention Filing Center:

Enclosed for filing in the above referenced docket are an original and five copies of:

- **Stipulation Regarding the Final 2009 PGE Tax Report for 2008**
- **Joint Testimony and Exhibits in Support of Stipulation**

Exhibit 107 of Testimony is highly confidential subject to Modified Protective Order No. 06-333. It is provided under separate cover and will be hand delivered to both the Salem and Portland Safe Houses only.

If you have any questions or require further information, please call Jay Tinker at (503) 464-7002. Please direct all formal correspondence and requests to the following email address: pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Dahlgren", written in a cursive style.

Randy Dahlgren
Director, Regulatory Policy & Affairs

RD/jb

Encl.

cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **Joint Testimony, Exhibits, and Stipulation** to be served by electronic mail to those parties who e-mail addresses appear on the attached service list, and by First Class US Mail, postage prepaid and property addressed, to those parties on the attached UE 178 Service List who have not waived paper service.

Dated at Portland, Oregon, this 21st day of January, 2010



Randy Dahlgren
Director, Regulatory Policy & Affairs
Portland General Electric Company

Summary Report**UE 178 AUTOMATIC ADJUSTMENT CLAUSE FILING UNDER SB 408****Category:** Electric Rate Case**Filed By:** PORTLAND GENERAL ELECTRIC

In the Matter of

OREGON PUBLIC UTILITY STAFF

Requesting the Commission direct PORTLAND GENERAL ELECTRIC COMPANY to file tariffs establishing automatic adjustment clauses under the terms of SB 408.

(AR 499/UE 177/UE 178/UG 170/UG 171 -- Staff report...

Filing Date: 11/22/2005**Case** JOHNSON, JUDY

(503) 378-6636

Law Judge(s): PINES, SHANI M**SERVICE LIST:**

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UE 178 (3)**

<p>In the Matter of</p> <p>OREGON PUBLIC UTILITY COMMISSION STAFF</p> <p>Requesting the Commission Direct PORTLAND GENERAL ELECTRIC COMPANY</p> <p>To file tariffs establishing automatic adjustment clauses under the terms of SB 408</p>	<p>STIPULATION</p>
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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") (collectively, the "Stipulating Parties").

I. INTRODUCTION

Pursuant to ORS 757.268 and OAR 860-022-0041, on October 15, 2009, PGE filed its tax report for calendar-years 2006, 2007 and 2008 (the "Tax Report"). Staff, CUB, ICNU, and PGE conducted workshops and settlement conferences on November 12 and December 1, 2009. In addition, PGE has responded to a number of data requests issued by Staff and ICNU.

As a result of the 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. The Stipulating Parties agree for the purpose of settlement that PGE will file a revised tax report for calendar year 2008 that makes the following adjustments:

- The charitable contribution add-back on Page 6, Line 2 of the tax report will be revised to remove the federal tax benefit of charitable contributions. This adjustment is made because the stand alone method is the greater of the federal apportionment methods, and there is no tax benefit of charitable contributions included in the stand alone amount. Page 6, Line 2 should be \$56,034. (This will not change the surcharge/refund, as the consolidated method is the lowest of the three methods)
- PGE will revise its stand alone calculation (work paper E-1) to remove the adjustment for interest on regulatory liabilities, in the amount of (\$9,139,549). PGE will make an associated revision to remove the iterative effect adjustment for interest expense and income on SB 408 regulatory assets and liabilities given that they are now excluded from the stand alone method. (These changes will not affect the surcharge/refund, as the consolidated method is the lowest of the three methods)
- PGE will classify the temporary schedule M items related to carrying charges on regulatory assets as utility and remove the associated deferred tax adjustment in the consolidated and stand alone deferred tax workpapers (This will not change the surcharge/refund, as the consolidated method is the lowest of the three methods.)
- The add back related to the ISFISI credit on Page 6, Lines 3 and 21, of the tax report will be revised so that the add back will be the same as the actual reduction to taxes paid on Lines 4 and 22 of Page 6. Page 6, Lines 3 and 21 should each be \$4,943,445.
- The amount of Federal taxes paid on Page 2, Lines 1 and 11 will be revised to "true up" the amount of taxes paid for the Amended 2006B & 2007 Federal tax returns. When PGE made its initial Tax Report filing these amounts were estimated. The amended tax report will reflect the actual amounts.

B. A copy of the tax report for calendar year 2008 making these adjustments is being filed in this docket as Joint Testimony Exhibit 107 (the "Amended SB 408 2008 Tax Report").

C. The Stipulating Parties agree that the Amended SB 408 2008 Tax Report properly reflects a Federal & State tax refund of \$9,403,313 (not including interest) and a

Local tax refund of \$177,439 (not including interest) and that such adjustment amounts are consistent with the applicable Commission rules. The Stipulating Parties further agree that rates reflecting such rate adjustments are just, reasonable and fair. A copy of the Staff Issue's List filed on December 18, 2009 is being filed in this docket as Joint Testimony Exhibit 108.

D. The federal and state tax adjustment reflected in the Amended 2008 Tax Report will be implemented through Schedule 140¹. The local tax adjustment reflected in the Amended 2008 Tax Report will be implemented through PGE's existing Multnomah County Business Income Tax Schedule 106².

E. The Stipulating Parties agree that this Stipulation resolves all outstanding issues in Docket UE 178(3) with the exception of the issues identified in paragraph II(F) below.

F. The Stipulating Parties understand that (i) ICNU is currently challenging the SB 408 rules (OAR 860-022-0041) and the protective order through an appeal currently pending before the Oregon Court of Appeals; (ii) the Stipulating Parties reserve, and expressly do not waive, any arguments and positions they may wish to make or adopt in the event ICNU's appeal challenging the SB 408 rules and the protective order is successful; (iii) ICNU does not agree that the methodologies set forth in OAR 860-022-0041 are consistent

¹ PGE estimates the total amount to be amortized thru Schedule 140 over the June 2010 – May 2011 period is a refund of approximately \$10.041 million which, in consideration of the previous refund in rates being eliminated, creates an overall 0.2% rate decrease. Attachment A provides the basis of the \$10.041 million amortization amount, including estimated residual balances, interest related to residual balances from prior tax years, and interest during the amortization period. These estimates will be updated when PGE makes its tariff compliance filing in April.

² PGE estimates the total amount to be amortized thru Schedule 106 over the June 2010-May 2011 period is a refund of approximately \$0.22 million which, in consideration of the previous refund currently in rates being eliminated, creates an overall rate increase of less than 0.1%. Attachment A provides the basis of the \$0.22 million amortization amount, including estimated residual balances, interest related to residual balances from prior tax years, and interest during the amortization period. These estimates will be updated when PGE makes its tariff compliance filing in April.

with SB 408 or that the protective order currently governing SB 408 proceedings is consistent with the terms of SB 408 but agrees for settlement purposes to not pursue these arguments and positions in Docket No. UE 178(3) except under the circumstances described in subparagraph II(F)(ii) above. Nothing in this Stipulation will be deemed as a waiver on behalf of ICNU in any such challenge to the SB 408 rules or protective order terms applicable to SB 408.

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 an adjustment amount 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 fifteen (15) 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 support the Stipulation at

2010-11 Fed & State Tax Amortization

<u>Line</u>			
	2006 Fed & State Tax period residual balance (inc. previously accrued interest)	\$	982,241.49
1			
	2007 Fed & State Tax period residual balance (inc. previously accrued interest)	\$	(29,708.25)
2			
	2008 Tax Period Refund (inc. previously accrued interest)		<u>(10,902,792.00)</u>
2			
	Beginning Credit balance (Amortization) June 2010 - May 2011	\$	(9,950,258.76)
3			
	Projected Interest at Blended Treasury Rate - various	\$	(91,260.76)
4			
			June 2010 - May 2011
	Total Projected 2010-2011 Amortization		<u><u>\$ (10,041,519.52)</u></u>
5			

Check	10,041,519.52
June '10 to May '11 MWh	19,293,031
Proposed Price (mills/kWh)	(0.52)
Current Price (mills/kWh)	(0.34)
Price Change	(0.18)
Revenue Change	(\$3,481,889)
Est. Current Revenues	\$1,600,000,000
Rate Impact	-0.2%

2010-11 Local Tax Amortization

<u>Line</u>			
1	2006 Local Tax period residual balance (inc. previously accrued interest)	\$	(309.07)
2	2007 Local Tax period residual balance (inc. previously accrued interest)	\$	(15,403.87)
2	2008 Tax Period Refund (inc. previously accrued interest)		<u>(205,733.93)</u>
3	Beginning Credit balance (Amortization) June 2010 - May 2011	\$	(221,446.87)
4	Projected Interest at Blended Treasury Rate - various	June 2010 - May 2011	\$ (2,279.04)
5	Total Projected 2010-2011 Amortization		<u><u>\$ (223,725.90)</u></u>

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 to any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

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

DATED this 21st day of January, 2010.


PORTLAND GENERAL ELECTRIC COMPANY By <u>R. Dahlgen</u> Its <u>Dir. Regulatory Policy Affairs</u>	STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON By _____ Its _____
INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES By _____ Its _____	CITIZENS' UTILITY BOARD OF OREGON By _____ Its _____

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DATED this 15th day of January, 2010.

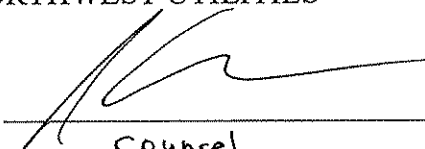
PORTLAND GENERAL ELECTRIC COMPANY By _____ Its _____	STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON By <u></u> Its <u>Attorney</u>
INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES By _____ Its _____	CITIZENS' UTILITY BOARD OF OREGON By _____ Its _____

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INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES By  _____ Its <u>Counsel</u> _____	CITIZENS' UTILITY BOARD OF OREGON By _____ Its _____

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INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES By _____ Its _____	CITIZENS' UTILITY BOARD OF OREGON By <u>[Signature]</u> Its <u>Staff Attorney CUR</u>