



Portland General Electric Company
Legal Department
121 SW Salmon Street • Portland, Oregon 97204
(503) 464-8926 • Facsimile (503) 464-2200

Douglas C. Tingey
Assistant General Counsel

July 30, 2010

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem OR 97308-2148

Re: UE 215

Attention Filing Center:

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

- **SECOND REVENUE REQUIREMENT STIPULATION**
- **JOINT TESTIMONY IN SUPPORT OF SECOND REVENUE REQUIREMENT STIPULATION (UE 215/Staff-CUB-PGE/200-201)**

This is being filed by electronic mail with the Filing Center.

An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided. Thank you in advance for your assistance.

Sincerely,

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

DOUGLAS C. TINGEY
Assistant General Counsel

DCT:cbm
Enclosures
cc: UE 215 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 215

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC COMPANY)	SECOND REVENUE REQUIREMENT STIPULATION
)	
Request for a General Rate Revision)	

This 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”).

On February 16, 2010, PGE filed this general rate case. On March 8, 2010, a prehearing conference was held. A procedural schedule was entered with a separate schedule for the annual net variable power cost portion of PGE’s request and for the other issues relating to the general rate revision. On March 9, 2010, the Commission suspended the filed tariff sheets for a period not to exceed nine months from the proposed effective date of the tariffs, March 18, 2010. PGE has requested that the revised rates pursuant to this general rate case become effective January 1, 2011. PGE has responded to numerous data requests in this docket from Staff and intervenors.

On May 17 and 18, 2010, the Stipulating Parties participated in a Settlement Conference. Settlement discussions were continued by telephone conference on May 20, 2010. Those discussions resulted in a revenue requirement stipulation among the Stipulating Parties (the “First Revenue Requirement Stipulation”).

On June 4, 2010, the Stipulating Parties other than PGE filed their respective direct testimony. The Stipulating Parties participated in a Settlement Conference on June 14, which resulted in a compromise settlement of the Stipulating Parties as described in detail below.

TERMS OF STIPULATION

I. This Stipulation resolves the issues identified below.

II. The Stipulating Parties acknowledge that the revenue requirement and final rate impact of the adjustments described below are not final until the treatment of other parts of PGE's general rate revision are known. Using PGE's filed cost of capital, the estimated reduction to PGE's revenue requirement is approximately \$22.9 million, reflecting the following agreements and adjustments:

A. S-4 Wages and Salaries. PGE's wages and salaries forecast will be reduced by \$3.5 million. This adjustment will be allocated 26.8% to capital and 73.2% to O&M.

B. S-5 Fly Ash. PGE will remove \$2.6 million of Boardman fly ash disposal cost from the case and add \$0.5 million of other revenues from the sale of fly ash. The Stipulating Parties agree that disposal costs for Boardman fly ash have not been modeled in rates and are not foreseeable as occurring in the ordinary course of events as those phrases have been used in the Commission's deferred accounting orders.

C. S-6 Hydro O&M. PGE's forecast for hydro O&M will be reduced by \$0.4 million. If the Federal Energy Regulatory Commission does not issue a new license to PGE for the Clackamas River Hydroelectric Project (FERC #2195) by December 27, 2010, then PGE's forecast for hydro O&M will be reduced by an additional \$0.9 million.

D. S-8 Miscellaneous.

i. Colstrip. PGE will remove half the cost of its forecast for Colstrip maintenance in 2011 to reflect the major maintenance cycle for the plant. This adjustment will reduce the forecasted cost by \$1.6 million.

ii. Coyote. PGE will remove \$1.2 million from production O&M for the planned 2011 Coyote major maintenance. The cost of the 2011 Coyote major maintenance will be charged to PGE's existing major maintenance balancing account for Coyote.

iii. Environmental Remediation. PGE will reduce the forecasted expense for environmental remediation by \$1.0 million.

E. S-13 Clackamas Hydro Re-licensing Project.

i. PGE will reduce its forecasted average rate base for hydro re-licensing by \$0.125 million to remove costs for food and entertainment.

ii. If FERC does not issue a new license to PGE for the Clackamas River Hydroelectric Project (FERC #2195) by December 27, 2010, then PGE will remove all remaining costs (\$65.5 million) for the Clackamas Hydro Relicensing from its forecasted average rate base for purpose of calculating PGE's revenue requirement in this rate proceeding. The exclusion of these costs in this rate proceeding does not preclude PGE from seeking to include these costs in its rate base after PGE has obtained a license for the Clackamas River Hydroelectric Project.

F. S-9/S-15 IT Capital, Boardman, and Coyote. PGE will remove the impact of the following capital additions from the determination of average 2011 rate base: the 2011 Information Technology additions for Cyber Security and the 2020 Vision projects, additions for

the Coyote Springs upgrade, and pollution control equipment at Boardman (collectively, the “Specified Four Capital Projects”).

The Stipulating Parties agree that the following adjustments will be made to the rate case:

i. S-9 / IT Capital. Remove \$11.0 million of average rate base and \$1.9 million of amortization expense.

ii. S-15 / Coyote and Boardman. Remove \$32.3 million of average rate base and \$1.3 million of depreciation expense.

The Stipulating Parties agree to support deferred accounting treatment under ORS 757.259 for the revenue requirement associated with the recovery of the return on and return of actual capital costs of the Specified Four Capital Projects (the “Deferred Amount”), beginning from the date at which each of the Specified Four Capital Projects is in-service and through the effective date of rates pursuant to a general rate case incorporating these costs. The Stipulating Parties also agree that the Deferred Amount should include, as an O&M cost, pollution control chemicals at the Boardman facility expected to be used in conjunction with the installation of pollution control equipment at Boardman in 2011. As a result, the Stipulating Parties agree that PGE will remove any such chemical costs included in the Monet model for purposes of determining power costs in this rate case.

The Stipulating Parties further agree that in any subsequent proceeding to amortize the Deferred Amount, for purposes of conducting the earnings test required under ORS 757.259(5), the Stipulating Parties will support use of PGE’s authorized return on equity established by the Commission in this proceeding as the standard for measuring PGE’s earnings. The Stipulating Parties acknowledge that no party in the UE 215 proceeding has submitted testimony suggesting that PGE’s decisions to complete the Specified Four Capital Projects were imprudent.

Finally, the Stipulating Parties agree that PGE should maintain the modeling of the Coyote upgrade in the Monet model in PGE's original filing for purposes of forecasting power costs in this rate case.

G. S1.15 Storm Damage. PGE will reduce its forecast service restoration costs by \$3.6 million. The Stipulating Parties agree that a rolling 10-year average (adjusted to reflect present value) is a reasonable method to forecast Level 3 storm costs. The Stipulating Parties also agree to support an accounting order allowing PGE to reserve any savings reflecting the amount by which the annual cost for Level 3 storms is less than \$2 million for use against future Level 3 storm costs.

H. Schedule 300 Revenue. PGE will increase its Other Revenue by \$0.3 million to reflect the impact of changes to Schedule 300 prices.

I. Withdrawn Requests. PGE withdraws its requests for an environmental accounting order, a storm damage balancing account, and a self-build accounting order.

III. The Stipulating Parties recommend and request that the Commission approve the adjustments described herein as appropriate and reasonable resolutions of the issues it addresses.

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

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

VI. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Stipulating Party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and OAR 860-014-0095 including the right to withdraw from the stipulation and to seek reconsideration of the Commission's 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.

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

VIII. 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, other than those specifically identified in the 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.

IX. 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, 2010.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

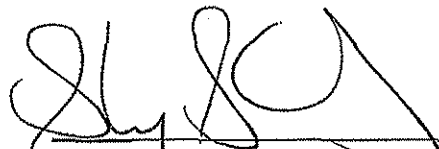
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

IX. 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 ^{29th} day of July, 2010.

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
COMMISSION OF OREGON

A handwritten signature in black ink, appearing to be 'E. L. N.', written over a horizontal line.

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

A handwritten signature in black ink, appearing to read "Dan Sam", is written over a horizontal line.

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

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.

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **SECOND REVENUE REQUIREMENT STIPULATION, and JOINT TESTIMONY IN SUPPORT OF SECOND REVENUE REQUIREMENT STIPULATION (UE 215/Staff-CUB-PGE/200-201)** to be served by electronic mail to those parties whose email addresses appear on the attached service list and by method specified, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UE 215.

Dated at Portland, Oregon, this 30th day of July, 2010.



DOUGLAS C. TINGEY, OSB # 044366
Assistant General Counsel
Portland General Electric Company
121 SW Salmon St., 1WTC1301
Portland, OR 97204
(503) 464-8926 (telephone)
(503) 464-2200 (fax)
doug.tingey@pgn.com

**SERVICE LIST –
OPUC DOCKET # UE 215**

Joseph MacDonald 15273 SE La Bonita Way Oakgrove, OR 97267	Heather Rode heatherrode@gmail.com (*Waived Paper Service)
Kurt J. Boehm, Attorney BOEHM KURTZ & LOWRY 36 E Seventh Street, #1510 Cincinnati, OH 45202 kboehm@bklawfirm.com	Gordon Feighner CITIZENS' UTILITY BOARD OF OREGON gordon@oregoncub.org (*Waived Paper Service)
Robert Jenks CITIZEN'S UTILITY BOARD OF OREGON bob@oregoncub.org (*Waived Paper Service)	G. Catriona McCracken CITIZEN'S UTILITY BOARD OF OREGON catriona@oregoncub.org (*Waived Paper Service)
Raymond Myers CITIZEN'S UTILITY BOARD OF OREGON ray@oregoncub.org (*Waived Paper Service)	Kevin Elliott Parks CITIZENS' UTILITY BOARD OF OREGON kevin@oregoncub.org (*Waived Paper Service)
Benjamin Walters, Deputy City Attorney CITY OF PORTLAND bwalters@ci.portland.or.us (*Waived Paper Service)	David Tooze CITY OF PORTLAND – PLANNING & SUSTAINABILITY dtooze@ci.portland.or.us (*Waived Paper Service)
S. Bradley Van Cleve DAVISON VAN CLEVE 333 SW Taylor, Suite 400 Portland, OR 97204 mail@dvclaw.com	Stephanie S. Andrus, Assistant AG DEPARTMENT OF JUSTICE 1162 Court Street, NE Salem, OR 97301-4096 stephanie.andrus@state.or.us
Kevin Higgins, Principle ENERGY STRATEGIES, LLC khiggins@energystrat.com (*Waived Paper Service)	Nona Soltero, Corporate Law Department #23C FRED MEYER STORES/KROGER nona.soltero@fredmeyer.com (*Waived Paper Service)
Marcy Putnam, Political Affairs & Communication Representatives IBEW LOCAL 125 17200 NE Sacramento Street Portland, OR 97230 marcy@ibew125.com	Lon L. Peters NW ECONOMIC RESEARCH, INC. lon@nw-econ.com (*Waived Paper Service)
Jordan A. White, Senior Counsel PACIFIC POWER & LIGHT jordan.white@pacificorp.com (*Waived Paper Service)	Oregon Dockets PACIFICORP, dba PACIFIC POWER & LIGHT oregondockets@pacificorp.com (*Waived Paper Service)
Judy Johnson Oregon Public Utility Commission 550 Capitol Street NE, #215 Salem, OR 97308-2148 judy.johnson@state.or.us	Randall J. Falkenberg RFI CONSULTING, INC. PMB 362 8343 Roswell Road Sandy Springs, GA 30350 consultrfi@aol.com

<p>Gregory M. Adams RICHARDSON & O'LEARY, PLLC greg@richardsonandoleary.com (*Waived Paper Service)</p>	<p>Peter J. Richardson RICHARDSON & O'LEARY, PLLC peter@richardsonandoleary.com (*Waived Paper Service)</p>
<p>Greg Bass SEMPRA ENERGY SOLUTIONS, LLC gbass@semprasolutions.com (*Waived Paper Service)</p>	<p>James Benya THE INTERNATIONAL DARK SKY ASSOCIATION jbenya@benyalighting.com (*Waived Paper Service)</p>
<p>Leo Smith THE INTERNATIONAL DARK SKY ASSOCIATION leo@smith.net (*Waived Paper Service)</p>	<p>Jess Kincaid, Energy Partnership Coordinator COMMUNITY ACTION PARTNERSHIP OF OREGON jess@caporegon.org (*Waived Paper Service)</p>

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

UE 215

Request for a General Rate Revision

PORTLAND GENERAL ELECTRIC COMPANY

**Joint Testimony in Support of
Second Revenue Requirement Stipulation**

July 30, 2010

Table of Contents

I. Introduction.....1

II. Resolved Issues.....4

List of Exhibits10

I. Introduction

1 **Q. Please state your names and positions.**

2 A. My name is Judy A. Johnson. I am a Program Manager of the Revenue Requirements
3 Section in the Electric and Natural Gas Division at the Public Utility Commission of Oregon
4 (OPUC). My qualifications appear in Staff Exhibit 101.

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

7 My name is Jay Tinker. I am a Project Manager for Portland General Electric (PGE).
8 My qualifications appear in PGE Exhibit 300

9 **Q. What is the purpose of your testimony?**

10 A. Our purpose is to describe the second Partial Stipulation reached among the OPUC Staff
11 (Staff); CUB; Industrial Customers of Northwest Utilities (ICNU); Fred Meyer Stores and
12 Quality Food Centers, Divisions of The Kroger Co. (Kroger); and PGE (the Stipulating
13 Parties) regarding certain revenue requirement issues in this docket (UE 215). While there
14 are other parties to this case, we are not aware of any who oppose this stipulation. For
15 convenience, we use the issue numbers assigned in the May 7, 2010 Staff Issues List.

16 **Q. What is the basis for the second Partial Stipulation?**

17 A. PGE filed this general rate case on February 16, 2010. Over the subsequent three months,
18 Staff, CUB, ICNU, and other parties submitted over 700 data requests regarding PGE's
19 filing. After an initial round of settlement discussions, the Stipulating Parties entered into an
20 partial stipulation (the "First Revenue Requirement Stipulation"). The First Revenue
21 Requirement Stipulation and supporting testimony were filed on July 1, 2010.

22 Subsequent to the first round of settlement discussions, Parties submitted opening
23 testimony on June 4. On June 14, Stipulating Parties participated in a second Settlement

1 Conference. PGE introduced an initial settlement offer at the conference and negotiations
2 with Parties resulted in a second settlement agreement.

3 **Q. Please summarize the agreement contained in the second revenue requirement
4 stipulation.**

5 A. The second stipulation represents the settlement of the remaining revenue requirement
6 issues, except power costs which are dealt with in a separate stipulation. A copy of the
7 stipulation is provided as Exhibit 201. Table 1 summarizes the settled issues and includes a
8 short description.

Table 1
(Stipulated issues with approximate adjustments)

Issue No.	Category	Description
S-1.15	Storm Damage	Reduce O&M expense by \$3.6 million
S-4	Wages & Salaries	Reduce A&G expense by \$2.6 million Reduce Ratebase by \$0.937 M
S-5	Boardman Fly Ash	Reduce O&M expense by \$2.6 million, increase other revenue \$0.5 million.
S-6	Hydro O&M	Reduce O&M expense by \$0.4 million
S-8	Other O&M	Reduce O&M expense by \$3.8 million
S-9	IT Capital	Remove \$11.0 million of average rate base
S-9	IT Expense	Reduce amortization expense by \$1.9 million
S-13	Hydro Re-licensing	Reduce average rate base by \$0.125
S-15	Boardman and Coyote	Reduce average rate base by \$32.3 million
S-15	Boardman and Coyote	Reduce depreciation expense by \$1.3 million

9 The Stipulating Parties also agree that PGE will charge certain Coyote O&M expenses
10 to the major maintenance balancing account as described later in the testimony. The
11 Stipulating Parties agree that PGE may receive any unused Level 3 storm damage
12 restoration amounts and apply these to future years, also as described later in this testimony.
13 Finally, PGE has agreed to withdraw its proposals for an environmental accounting order, a
14 storm damage balancing account, and an accounting order establishing a regulatory asset to
15 cover the costs of self-build studies.

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

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

7 **Q. How does the Stipulation resolve the revenue requirement effects of settled issues since**
8 **not all of the issues in the case have been resolved?**

9 A. Because the Stipulating Parties did not stipulate to all of the factors necessary to derive the
10 revenue requirement effects of each settled issue, the final revenue requirement cannot be
11 calculated until decisions are reached on those factors.

12

II. Resolved Issues

1 **Q. Please describe the stipulation regarding storm damage expenses, S-1.15.**

2 A. The Stipulating Parties agree that PGE will reduce its filed storm damage expense by \$3.6
3 million. Parties also agree that a rolling 10-year average is a reasonable method to forecast
4 Level 3 storm costs. Parties agree to support an accounting order allowing PGE to reserve
5 unspent amounts for Level 3 storms (\$2 million less annual actual dollars spent) and to
6 apply these amounts against future Level 3 storm costs.

7 **Q. What is the basis for the stipulation regarding storm damage expenses, S-1.15?**

8 A. In its filed testimony (Staff/400, Ball/2), Staff presented an adjustment to PGE's filed
9 "Restore Service Lines" expense. Staff developed a recommended test year level of
10 "Restore Service Lines" expense that employed 2008 actual expense as the starting point
11 and incorporated an estimate of annual Level 3 Storm Damage costs based on a 10-year
12 average. Staff's recommended expense level resulted in the \$3.6 million reduction to PGE's
13 "Restore Service Lines" expense.

14 **Q. Please describe the stipulation regarding compensation-related issues.**

15 A. The Stipulating Parties agree that PGE will reduce its filed wages and salaries by \$3.5
16 million. This adjustment will be allocated 26.8% to capital and 73.2% to O&M.

17 **Q. What is the basis for the stipulation regarding wages and salaries, S-4?**

18 A. PGE initially filed for \$202.9 million in wages and salaries. Staff's opening testimony
19 called for a reduction of \$7.1 million based on a variation of the OPUC 3-year wage model.
20 ICNU's opening testimony advocated a \$5.9 million reduction based on the use of historical
21 actuals escalated at the Federal Reserve's estimated inflation rates. At the settlement
22 discussions, Parties discussed their positions, including the use of a more traditional 3-year
23 wage model. Ultimately, the Stipulating Parties agreed that an adjustment of \$3.5 million

1 was reasonable. This final figure was not the product of any one methodology but rather
2 represents a compromise of positions.

3 **Q. Does this adjustment resolve the outstanding issues related to compensation?**

4 A. Yes.

5 **Q. What is the basis for the stipulation regarding the Boardman Fly Ash Issue, S-5?**

6 A. In its filed testimony (Staff/500, Durrenberger/3), Staff proposed to continue to treat
7 Boardman Coal Plant Fly Ash Disposal costs as routine O&M costs (not as part of NVPC)
8 and to remove \$2.6 million of Boardman fly ash disposal cost from the case and add \$0.5
9 million to Other Revenues representing the sale of fly ash. The Stipulating Parties agree that
10 disposal costs for Boardman fly ash have not been “modeled in rates” and are not
11 foreseeable as occurring in the ordinary course of events as those phrases have been used in
12 the Commission’s deferred accounting orders. PGE accepted this reduction in costs in
13 recognition of recent developments at the EPA regarding coal ash regulation.

14 **Q. Please describe the stipulation regarding Hydro O&M expenses, S-6.**

15 A. The Stipulating Parties agree that PGE will reduce its filed hydro-related O&M expenses by
16 \$0.4 million in the 2011 test year whether or not PGE receives its long-term FERC license
17 for the Clackamas River Project prior to January 1, 2011. In addition, if PGE fails to receive
18 its long-term license prior to January 1, 2011, PGE will remove an additional \$0.9 million
19 from its filed hydro-related O&M expenses.

20 **Q. What is the basis for the stipulation regarding Hydro O&M expenses, S-6?**

21 A. In its filed testimony (Staff/500, Durrenberger/4), Staff discussed \$2.6 million in
22 incremental hydro O&M expense related to the Clackamas River Hydroelectric Project.
23 Staff contended that, in the absence of a long-term FERC license, these expenses are not
24 known and measurable. PGE provided information that at least half of these costs represent

1 ongoing obligations that are required whether or not PGE has obtained a long-term license
2 before the beginning of 2011. As a result of these discussions, the Stipulating Parties agreed
3 that at most \$1.3 million (half of the \$2.6 million) was not known and measurable in the
4 absence of a new license from FERC. Of this amount, \$0.4 million would be removed from
5 the test year regardless of when the long-term license is granted. The remaining \$0.9
6 million would be removed from the test year if the license is not received on or before
7 December 27, 2011.

8 **Q. Please describe the stipulation regarding Other O&M, S-8.**

9 A. The Stipulating Parties agree that PGE will reduce its test year O&M expenses by \$3.8
10 million. This adjustment has three components, which we summarize as follows:

- | | | | |
|----|---------------------------------------------------|---|---------------------------------|
| 11 | • Reduction in overhaul costs for Colstrip Unit 3 | - | \$1.6 million expense reduction |
| 12 | • Reduction in maintenance costs for Coyote | - | \$1.2 million expense reduction |
| 13 | • Reduction in lead abatement costs for Oak Grove | - | \$1.0 million expense reduction |

14 **Q. What is the basis for the stipulation regarding Other O&M expenses, S-8?**

15 A. In its filed testimony (Staff/500, Durrenberger/6), Staff identified what it considered to be
16 one-time O&M expenses associated with Colstrip, Coyote, and Oak Grove for 2011 as
17 follows: (1) an increase in Colstrip 3 maintenance outage costs of \$3.2 million, (2) an
18 increase in Coyote Springs maintenance costs of \$1.2 million, and (3) a lead abatement
19 project at the Oak Grove project expected to cost \$2 million. For settlement purposes,
20 Parties have agreed to remove half of the referenced Colstrip 3 costs, all of the referenced
21 Coyote costs, and one-half of the one-time lead abatement costs at Oak Grove; a reduction
22 totaling \$3.8 million. Half of the cost increases were retained for Colstrip 3 and Oak Grove
23 as these cost levels were deemed for settlement purposes to be representative of maintenance
24 and environmental costs going forward. The actual costs associated with the specific

1 Coyote maintenance tasks will be added to the existing Coyote major maintenance cost
2 balancing account.

3 **Q. Please describe the stipulation regarding the S-9 rate base adjustment for IT and the S-
4 15 rate base adjustments for the Coyote upgrade and the Boardman Low NOx burner
5 installation.**

6 A. PGE will remove the impact of the following capital additions from the determination of
7 average 2011 rate base: the 2011 Information Technology additions for Cyber Security and
8 the 2020 Vision projects, additions for the Coyote Springs upgrade, and pollution control
9 equipment at Boardman. These stipulations reduce average rate base by \$43.3 million and
10 reduce depreciation expense by \$3.2 million in the 2011 test year. Parties agree to support
11 deferred accounting treatment under ORS 757.259 for the revenue requirement associated
12 with the recovery of actual capital costs of these projects, beginning from the date at which
13 each of the projects is in-service and through the effective date of rates pursuant to a general
14 rate case incorporating these costs. Further, the Parties agree that for purposes of the
15 earnings test required under ORS 757.259, the Stipulating Parties will support use of PGE's
16 authorized return on equity established by the Commission in this proceeding as the standard
17 for measuring PGE's earnings.

18 **Q. What is the basis for the stipulations regarding S-9 and S-15?**

19 A. PGE had requested that the average rate base associated with these projects be included in
20 the 2011 test year. Staff and other Parties objected that these capital projects were not used
21 and useful as of January 1, 2011. For settlement purposes, PGE and Parties have agreed that
22 the costs of these capital projects will be subject to a deferral, representing a compromise in
23 the positions of all parties.

24 **Q. Please describe the stipulation regarding Clackamas Hydro Relicensing, S-13.**

1 A. The Stipulating Parties agree that PGE will reduce 2011 average rate base by \$0.125
2 million, reflecting the removal of capitalized food costs incurred as part of the relicensing
3 process. In addition, if PGE does not receive a long-term license prior to December 27,
4 2010, the forecasted average rate base will be reduced by \$65.5 million.

5 **Q. What is the basis for the stipulation regarding Clackamas Hydro Relicensing, S-13?**

6 A. In its filed testimony (Staff/600, Brown-Wittekind/2), Staff objected to the food expenses
7 and the capitalization of these expenses. PGE maintained that these expenses were proper
8 and important for advancing settlement of the relicensing process. For UE 215 settlement
9 purposes, PGE agreed to remove these costs from the 2011 test year rate base (See S-13
10 adjustment of \$0.125 M). In addition, the Parties raised concerns based on ORS 757.355
11 with respect to rate base additions going into permanent rates in the event PGE does not
12 receive a long-term license for the Clackamas re-licensing project prior to the time rates go
13 into effect on January 1, 2011. Without agreeing to these concerns and for settlement
14 purposes only, PGE has agreed to remove the remaining cost (\$65.5) for the Clackamas re-
15 licensing project from its forecasted average rate base if PGE does not receive a long-term
16 license prior to December 27, 2010.

17

18 **Q. What is your recommendation to the Commission regarding all of these adjustments?**

19 A. The Stipulating Parties recommend and request that the Commission approve these
20 adjustments. Based on careful review of PGE's and Parties' testimony, consideration of
21 PGE's responses to over 700 data requests, and thorough analysis of the issues during the
22 June 14 settlement conference, we believe the proposed adjustments represent appropriate
23 and reasonable resolutions of the respective issues in this docket. Rates reflecting these
24 adjustments will be fair, just, and reasonable.

1 **Q. Does this complete your testimony?**

2 **A. Yes.**

List of Exhibits

Exhibit

Description

201

Stipulation on Revenue Requirement Issues

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 215

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

This 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”).

On February 16, 2010, PGE filed this general rate case. On March 8, 2010, a prehearing conference was held. A procedural schedule was entered with a separate schedule for the annual net variable power cost portion of PGE’s request and for the other issues relating to the general rate revision. On March 9, 2010, the Commission suspended the filed tariff sheets for a period not to exceed nine months from the proposed effective date of the tariffs, March 18, 2010. PGE has requested that the revised rates pursuant to this general rate case become effective January 1, 2011. PGE has responded to numerous data requests in this docket from Staff and intervenors.

On May 17 and 18, 2010, the Stipulating Parties participated in a Settlement Conference. Settlement discussions were continued by telephone conference on May 20, 2010. Those discussions resulted in a revenue requirement stipulation among the Stipulating Parties (the “First Revenue Requirement Stipulation”).

On June 4, 2010, the Stipulating Parties other than PGE filed their respective direct testimony. The Stipulating Parties participated in a Settlement Conference on June 14, which resulted in a compromise settlement of the Stipulating Parties as described in detail below.

TERMS OF STIPULATION

I. This Stipulation resolves the issues identified below.

II. The Stipulating Parties acknowledge that the revenue requirement and final rate impact of the adjustments described below are not final until the treatment of other parts of PGE's general rate revision are known. Using PGE's filed cost of capital, the estimated reduction to PGE's revenue requirement is approximately \$22.9 million, reflecting the following agreements and adjustments:

A. S-4 Wages and Salaries. PGE's wages and salaries forecast will be reduced by \$3.5 million. This adjustment will be allocated 26.8% to capital and 73.2% to O&M.

B. S-5 Fly Ash. PGE will remove \$2.6 million of Boardman fly ash disposal cost from the case and add \$0.5 million of other revenues from the sale of fly ash. The Stipulating Parties agree that disposal costs for Boardman fly ash have not been modeled in rates and are not foreseeable as occurring in the ordinary course of events as those phrases have been used in the Commission's deferred accounting orders.

C. S-6 Hydro O&M. PGE's forecast for hydro O&M will be reduced by \$0.4 million. If the Federal Energy Regulatory Commission does not issue a new license to PGE for the Clackamas River Hydroelectric Project (FERC #2195) by December 27, 2010, then PGE's forecast for hydro O&M will be reduced by an additional \$0.9 million.

D. S-8 Miscellaneous.

i. Colstrip. PGE will remove half the cost of its forecast for Colstrip maintenance in 2011 to reflect the major maintenance cycle for the plant. This adjustment will reduce the forecasted cost by \$1.6 million.

ii. Coyote. PGE will remove \$1.2 million from production O&M for the planned 2011 Coyote major maintenance. The cost of the 2011 Coyote major maintenance will be charged to PGE's existing major maintenance balancing account for Coyote.

iii. Environmental Remediation. PGE will reduce the forecasted expense for environmental remediation by \$1.0 million.

E. S-13 Clackamas Hydro Re-licensing Project.

i. PGE will reduce its forecasted average rate base for hydro re-licensing by \$0.125 million to remove costs for food and entertainment.

ii. If FERC does not issue a new license to PGE for the Clackamas River Hydroelectric Project (FERC #2195) by December 27, 2010, then PGE will remove all remaining costs (\$65.5 million) for the Clackamas Hydro Relicensing from its forecasted average rate base for purpose of calculating PGE's revenue requirement in this rate proceeding. The exclusion of these costs in this rate proceeding does not preclude PGE from seeking to include these costs in its rate base after PGE has obtained a license for the Clackamas River Hydroelectric Project.

F. S-9/S-15 IT Capital, Boardman, and Coyote. PGE will remove the impact of the following capital additions from the determination of average 2011 rate base: the 2011 Information Technology additions for Cyber Security and the 2020 Vision projects, additions for

the Coyote Springs upgrade, and pollution control equipment at Boardman (collectively, the “Specified Four Capital Projects”).

The Stipulating Parties agree that the following adjustments will be made to the rate case:

i. S-9 / IT Capital. Remove \$11.0 million of average rate base and \$1.9 million of amortization expense.

ii. S-15 / Coyote and Boardman. Remove \$32.3 million of average rate base and \$1.3 million of depreciation expense.

The Stipulating Parties agree to support deferred accounting treatment under ORS 757.259 for the revenue requirement associated with the recovery of the return on and return of actual capital costs of the Specified Four Capital Projects (the “Deferred Amount”), beginning from the date at which each of the Specified Four Capital Projects is in-service and through the effective date of rates pursuant to a general rate case incorporating these costs. The Stipulating Parties also agree that the Deferred Amount should include, as an O&M cost, pollution control chemicals at the Boardman facility expected to be used in conjunction with the installation of pollution control equipment at Boardman in 2011. As a result, the Stipulating Parties agree that PGE will remove any such chemical costs included in the Monet model for purposes of determining power costs in this rate case.

The Stipulating Parties further agree that in any subsequent proceeding to amortize the Deferred Amount, for purposes of conducting the earnings test required under ORS 757.259(5), the Stipulating Parties will support use of PGE’s authorized return on equity established by the Commission in this proceeding as the standard for measuring PGE’s earnings. The Stipulating Parties acknowledge that no party in the UE 215 proceeding has submitted testimony suggesting that PGE’s decisions to complete the Specified Four Capital Projects were imprudent.

Finally, the Stipulating Parties agree that PGE should maintain the modeling of the Coyote upgrade in the Monet model in PGE's original filing for purposes of forecasting power costs in this rate case.

G. S1.15 Storm Damage. PGE will reduce its forecast service restoration costs by \$3.6 million. The Stipulating Parties agree that a rolling 10-year average (adjusted to reflect present value) is a reasonable method to forecast Level 3 storm costs. The Stipulating Parties also agree to support an accounting order allowing PGE to reserve any savings reflecting the amount by which the annual cost for Level 3 storms is less than \$2 million for use against future Level 3 storm costs.

H. Schedule 300 Revenue. PGE will increase its Other Revenue by \$0.3 million to reflect the impact of changes to Schedule 300 prices.

I. Withdrawn Requests. PGE withdraws its requests for an environmental accounting order, a storm damage balancing account, and a self-build accounting order.

III. The Stipulating Parties recommend and request that the Commission approve the adjustments described herein as appropriate and reasonable resolutions of the issues it addresses.

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

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

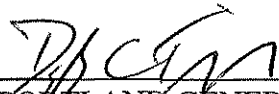
VI. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Stipulating Party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and OAR 860-014-0095 including the right to withdraw from the stipulation and to seek reconsideration of the Commission's 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.

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

VIII. 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, other than those specifically identified in the 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.

IX. 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, 2010.



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.

IX. 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 ^{29th} day of July, 2010.

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
COMMISSION OF OREGON

A handwritten signature in black ink, appearing to be 'J. L. M.', written over a horizontal line.

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

A handwritten signature in black ink, appearing to read "L. Sam", is written over a horizontal line.

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

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.