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Douglas C. Tingey
Associate General Counsel

September 23, 2013

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
PO Box 1088
Salem OR 97308-1088

Re: UE 262 – Portland General Electric Company's Request for a General Rate Revision

Attention Filing Center:

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

- **Third Partial Stipulation; and**
- **Joint Testimony in Support of the Third Partial Stipulation (UE 262/ Bahr – Jenks – Schoenbeck - Liddle/300).**

The original Third Partial Stipulation signature pages for Staff, Industrial Customers of Northwest Utilities ("ICNU"), and the Citizens Utility Board ("CUB") will be provided upon receipt by our office.

These documents are also being filed by electronic mail with the Filing Center and electronically served upon the UE 262 service list.

Thank you in advance for your assistance.

Sincerely,

Douglas C. Tingey
Associate General Counsel

DCT:gal
Enclosures
cc: Service List-UE 262

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 262

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

This Third Partial Stipulation ("Stipulation") is between Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and the Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Stipulating Parties").

Two previous stipulations have been filed in this docket. Those stipulations together settled all issues in the docket except PGE's test year pension-related costs.

On August 16, 2013, the Stipulating Parties participated in Settlement Conferences regarding the remaining issue of pension expense. All parties were invited to participate. Settlement discussions continued on September 5, 2013. As a result of those discussions the Stipulating Parties have reached a compromise settlement of test year pension-related cost, as described in detail below. The Stipulating Parties are not aware of any party that opposes this Third Partial Stipulation. No party, other than the Stipulating Parties, submitted testimony on pension-related costs.

TERMS OF THIRD PARTIAL STIPULATION

1. This Third Partial Stipulation resolves the one remaining issue in this docket: PGE's test year pension-related costs.

2. PGE's test year FAS 87 expense will be reduced \$0.3 million to \$19.5 million.
3. The Stipulating Parties agree that neither a balancing account nor a deferral should be created for FAS 87 expense in this docket. PGE withdraws its request for such a balancing account in this docket.
4. The deferred tax benefit referred to in PGE's Testimony (PGE Exhibits 1800 and 2000) will remain in rate base in this docket. The revenue requirement value of the deferred tax benefit is approximately \$3.8 million.
5. The Stipulating Parties anticipate that policies regarding the ratemaking treatment of the "prepaid pension asset"¹/ "prepaid pension cost"², deferred tax benefits, FAS 87 expense and pension contributions will be addressed in Docket UM 1633, the pending multi-utility docket regarding pension costs. The Stipulating Parties agree to allow all pension related data requests and responses from Docket UE 262 to be incorporated into Docket UM 1633.
6. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as an appropriate and reasonable resolution of the one remaining issue in this UE 262 docket.
7. The Parties agree that this Third Partial Stipulation is in the public interest and will result in rates that are fair, just and reasonable and will meet the standard in ORS 756.040.
8. The Parties agree that this Third Partial Stipulation represents a compromise in the positions of the 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

¹ UE 262 PGE 1800 and PGE 2000

² UE 262 CUB/200 Jenks-McGovern/2 at lines 9-14.

instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

9. The Stipulating Parties have negotiated this Third Partial Stipulation as an integrated document. If the Commission rejects all or any material part of this Third Partial Stipulation, or adds any material condition to any final order that is not consistent with this Third Partial Stipulation, each Party reserves its right: (i) to withdraw from the Third Partial Stipulation, upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Third Partial 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 Third Partial 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 Third Partial Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission order. Nothing in this paragraph provides any Party the right to withdraw from this Third Partial Stipulation as a result of the Commission's resolution of issues that this Third Partial Stipulation does not resolve.
10. This Third Partial Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Third Partial Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Third Partial Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Third Partial 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 Third Partial Stipulation. Except as provided in this Third Partial Stipulation, no Party shall be deemed to have agreed that any provision of this Third Partial Stipulation is appropriate for resolving issues in any other proceeding.

11. This Third Partial 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 23rd day of September, 2013.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

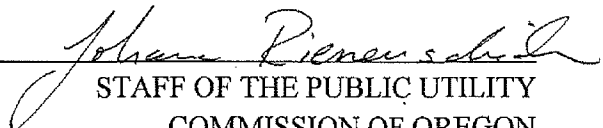
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Third Partial Stipulation. Except as provided in this Third Partial Stipulation, no Party shall be deemed to have agreed that any provision of this Third Partial Stipulation is appropriate for resolving issues in any other proceeding.

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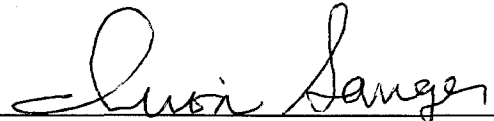
11. This Third Partial Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this ^{23rd} day of September, 2013.

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CITIZENS' UTILITY BOARD
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INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

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

UE 262

PORTLAND GENERAL ELECTRIC COMPANY

Joint Testimony in Support of Third Partial Stipulation

*Brian Bahr
Bob Jenks
Donald Schoenbeck
Chris Liddle*

September 23, 2013

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I. Introduction

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

2 A. My name is Brian Bahr. I am a Senior Utility Analyst in the Energy - Rates, Finance, &
3 Audit Section of the Oregon Public Utility Commission (OPUC). My qualifications appear
4 in Staff Exhibit 201.

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 Don Schoenbeck. I am ... My qualifications appear in Exhibit 301.

8 My name is Chris Liddle. I am a Manager for Portland General Electric (PGE). My
9 qualifications appear in PGE Exhibit 300.

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

11 A. Our purpose is to describe the Third Partial Stipulation ("Stipulation") reached among the
12 OPUC Staff (Staff); CUB; ICNU; and PGE (together, the Stipulating Parties) regarding
13 pension-related cost, which was the remaining unresolved issue in this docket (UE 262).
14 While there are other parties to this case, we are not aware of any who oppose this Third
15 Partial Stipulation. No party, other than the Stipulating Parties, submitted testimony on
16 pension-related costs.

17 **Q. What is the basis for the Third Partial Stipulation?**

18 A. PGE filed this general rate case on February 15, 2013. The Stipulating Parties and others
19 entered into a Partial Stipulation, filed on July 10, 2013, covering most revenue requirement
20 and other issues. Following this, on July 25, 2013, the Second Partial Stipulation was filed,
21 covering all remaining issues except PGE's test year pension-related costs.

1 On August 16, 2013, the Stipulating Parties participated in a Settlement Conference
2 regarding the remaining issue of pension-related costs. All parties were invited to
3 participate. Settlement discussions continued on September 5, 2013. As a result of those
4 discussions, the Stipulating Parties have reached a compromise settlement of test year
5 pension-related costs, the Stipulating Parties now enter into the Third Partial Stipulation as
6 described in Section II below.

II. Resolved Revenue Requirement Issue

1 **Q. Please describe the Third Partial Stipulation regarding pension cost recovery.**

2 A. The Stipulating Parties agree to the following conditions regarding pension-related costs:

- 3 • PGE's 2014 test year FAS 87 expense will be reduced \$0.3 million to \$19.5 million.
4 (PGE estimates the revenue requirement effect is a reduction of \$0.312 million).
- 5 • The Stipulating Parties agree that neither a balancing account nor a deferral should be
6 created for FAS 87 expense in this docket. PGE withdraws its request for such a
7 balancing account in this docket.
- 8 • The deferred tax benefit referred to in PGE's Testimony (PGE Exhibits 1800 and 2000)
9 will remain in rate base for rates established in this docket. The revenue requirement
10 value of the deferral tax benefit is approximately \$3.8 million.
- 11 • The Stipulating Parties anticipate that policies regarding the ratemaking treatment of the
12 "prepaid pension asset" ¹ / "prepaid pension cost" ² deferred tax benefits, FAS 87 and
13 pension contributions will be addressed in Docket UM 1633, the pending multi-utility
14 docket regarding pension costs. The Stipulating Parties agree to allow all pension
15 related data requests and responses from Docket UE 262 to be incorporated into Docket
16 UM 1633.

17 **Q. Were there differing opinions related to use of balancing or deferred accounting**
18 **treatment for pension-related cost recovery?**

19 A. Yes. The Stipulating Parties expressed a variety of positions on the use of balancing
20 account or deferred accounting treatment related to pension-related cost recovery. Although
21 not all parties originally agreed with its removal, in order to settle this docket the Stipulating

¹ UE 262 PGE 1800 and PGE 2000

² UE 262 CUB/200 Jenks-McGovern/2 at lines 9-14.

1 Parties ultimately came to an agreement that we believe represents a reasonable financial
2 settlement of the final issue in this docket. That agreement requires the basing of pension
3 recovery on the traditional manner using FAS 87 expense and the forecasting of FAS 87
4 expense in 2014 as \$19.5 million. The Stipulating Parties also agreed that changes to
5 pension cost recovery may be considered in UM 1633.

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

7 A. The Stipulating Parties recommend and request that the Commission approve the Stipulation
8 reflecting these adjustments and provisions. Based on careful review of PGE's filing,
9 subsequent rounds of testimony specific to pension-related costs, consideration of PGE's
10 responses to over 60 pension-related data requests, and thorough analysis of the issues
11 during two separate days of settlement conferences, we believe these adjustments represent
12 appropriate and reasonable resolutions of the respective issues in this docket. Rates
13 reflecting these adjustments will be fair, just, and reasonable, and will meet the standard in
14 ORS 756.040.

15 **Q. Does the third Partial Stipulation contain any new policy or precedent with regards to**
16 **treatment of pensions?**

17 A. No. The Stipulation treats the issue of pensions in the same manner as recent rate cases with
18 revenue requirement based on FAS 87 pension expense and it also retains the deferred tax
19 credit in rate base. Further, to the benefit of customers, the FAS 87 expense stipulated to by
20 the parties is \$19.5 million which is significantly less than the PGE forecasted amount of
21 \$23.64 million. The parties leave to the generic pension docket UM 1633 the issue of what
22 policy changes, if any, should be adopted by the Commission with regard to future treatment
23 of pension-related costs.

1 **Q. If the PGE forecast of FAS 87 pension expense is \$23.64 million, how does that relate to**
2 **a rate case pension expense of \$19.8 million that PGE included in the rate case and a**
3 **proposed stipulated FAS 87 expense of \$19.5 million?**

4 A. The PGE filing was based on a different approach for handling pension-related costs. While
5 FAS 87 was projected by PGE to equal \$23.64 million for the 2014 test period, PGE used a
6 15-year forecast and a balancing account to further smooth its pension-related costs,
7 including a return on the “prepaid pension asset”³/ “pre-paid pension cost”⁴, to arrive at the
8 \$19.8 million included in PGE’s initial filing. ICNU and CUB recommended that PGE’s
9 pension costs included in rates be set at significantly lower amounts. In the context of the
10 other elements of the Third Partial Stipulation and the recommendations of the parties, the
11 overall level of \$19.5 million in pension expense is a reasonable amount. The parties are
12 free to recommend different levels of pension expense and different methodologies for
13 determining pension expense in future rate proceedings and the generic pension proceeding.

14 **Q. Does the Third Partial Stipulation resolve all remaining issues in this proceeding?**

15 A. Yes.

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

17 A. Yes.

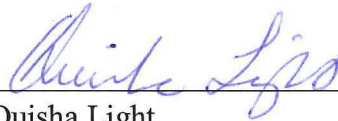
³ UE 262 PGE 1800 and PGE 2000.

⁴ UE 262 CUB/200 Jenks-McGovern/2 at lines 9-14.

CERTIFICATE OF SERVICE

I hereby certify that I served the **Third Partial Stipulation and Joint Testimony in support of that Third Partial Stipulation**, by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 262.

DATED at Portland, Oregon, this 23rd day of September, 2013.



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OPUC DOCKET # UE 262

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