

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE ____

In the Matter of the Application of Portland
General Electric Company for an Order
Approving Deferral of Certain Advertising
Costs

STIPULATION

This Stipulation is among Staff of the Public Utility Commission of Oregon ("Staff") and Portland General Electric Company ("PGE") (collectively referred to as "the Parties").

BACKGROUND

In docket UE 115, Staff, the Fred Meyer Stores and PGE agreed to a Stipulation Regarding Changes to PGE's Requested Cost of Service (the "Revenue Requirement Stipulation"), dated March 7, 2001, that enabled PGE to defer (for future amortization) amounts spent on advertising in excess of the final approved amount for Category A advertising, as defined in OAR 860-026-0022. *See* Revenue Requirement Stipulation at 5-6, attached as Exhibit B to Order No. 01-777. The Revenue Requirement Stipulation provided that the deferral and possible amortization of such excess advertising costs would be subject to Staff audit of all Category A advertising and related expenses. *Id.* In Order No. 01-777, the Commission adopted this portion of the Revenue Requirement Stipulation along with other undisputed aspects of the Revenue Requirement Stipulation and certain disputed portions of the Revenue Requirement Stipulation. UE 115, Order No. 01-777 at 44. The final approved Category A advertising expenses were set at \$1,879,027, which is the "presumed just and reasonable" level of one-eighth of one percent of PGE's test year gross operating revenue. *See* OAR 860-026-0022(3)(a).

On October 1, 2001, PGE filed an Application for Deferral of Certain Advertising Costs (the "Application"), which sought formal Commission approval to establish a deferred account during the period from October 1, 2001 through September 30, 2002, for Category A advertising costs in excess of the approved amount for Category A advertising. CUB, Staff and PGE entered into a stipulation, on or about January 17, 2002 (the "2002 Stipulation"), according to which the parties to the stipulation agreed to support PGE's Application subject to the agreement that PGE would seek to recover from customers no more than approximately \$1.9 million of the deferred amount. On February 11, 2002, the Commission granted PGE's Application in Commission Order No. 02-088 consistent with the terms of the 2002 Stipulation. After Staff completed its audit, PGE began amortization of the deferred amount effective January 1, 2004.

On September 30, 2002, PGE submitted an Application for Reauthorization (the "2003 Reauthorization Application") requesting reauthorization to defer amounts spent during the period October 1, 2002 through September 30, 2003 (the "2003 Deferral Period") on Category A advertising expenses in excess of the final amount of Category A advertising expenses approved in UE 115. On September 3, 2003, PGE, Commission Staff and CUB entered into a Stipulation (the "2003 Stipulation") according to which the parties to the stipulation agreed to support PGE's 2003 Reauthorization Application subject to the agreement that PGE would seek to recover from customers no more than \$1 million of the deferred amount, and the deferred amount would be subject to audit. In Order No. 03-601, the Commission approved PGE's 2003 Reauthorization Application subject to the terms of the 2003 Stipulation.

On September 30, 2003, PGE filed an application seeking reauthorization (the "2004 Reauthorization Application") to defer Category A advertising expenses that exceed the

amount in rates for the period October 1, 2003, through September 30, 2004 (the "2004 Deferral Period"). In Order No. 04-562, the Commission approved PGE's 2004 Reauthorization Application subject to the same conditions set forth in the 2003 Stipulation.

On October 1, 2004, PGE filed an application for reauthorization to defer advertising expenses for the period October 1, 2004, through September 30, 2005 (the "2005 Reauthorization Application"). On February 7, 2005, PGE filed a letter withdrawing the 2005 Reauthorization Application. In response the Commission closed this docket in Order No. 05-101.

Staff has completed its audit with respect to the deferred amounts during the 2003 and 2004 Deferral Periods. The Parties agree to and request that the Commission allow PGE's advice filing implementing the amortization described herein to become effective January 1, 2006, or adopt an order accomplishing the following:

TERMS OF AGREEMENT

1. For advertising expenses deferred during the 2003 Deferral Period, the Parties agree that PGE shall, subject to Commission approval, amortize \$505,271 beginning January 1, 2005. For advertising expenses deferred during the 2004 Deferral Period, the Parties agree that PGE shall, subject to Commission approval, amortize \$776,399, beginning January 1, 2005. PGE will include the requested amounts to be amortized in this paragraph as part of a supplemental adjustment schedule (the "Advice Filing") to be filed concurrently with PGE's annual Resource Valuation Mechanism on November 15, 2005, for rates effective January 1, 2006. The Parties further agree to support an amortization period of one year. PGE agrees not to seek recovery of deferred advertising expenses during the 2003 and 2004 Deferral Period in excess of the amounts specified in this paragraph. Staff agrees that it will support recovery of

the amounts specified in this paragraph and will not propose or support any disallowances from the amounts to be amortized under this paragraph.

2. The deferred amounts to be amortized pursuant to this Stipulation are the result of a negotiated agreement between the Parties based upon Staff's audits. PGE does not agree with each of the adjustments recommended by Staff's audits. Nevertheless, the Parties agree that this Stipulation is in the public interest and that the overall outcome is fair, just and reasonable.

3. The Parties recognize that this Stipulation represents a compromise in the positions of the Parties in light of the outcome of Staff's audits. Neither this Stipulation nor the Commission order adopting it may be cited or used as precedent by any party or person in any proceeding except for those proceedings implementing the terms of this Stipulation.

4. The Parties agree to support this Stipulation before the Commission (and the courts) and recommend that the Commission allow PGE's Advice Filing to become effective January 1, 2006, or issue an order adopting the terms of this Stipulation and permitting amortization of the amounts specified in this Stipulation.

5. This Stipulation will be submitted along with PGE's Advice Filing. In the event a docket is opened in connection with PGE's Advice Filing, the Parties will offer the Stipulation into the record as evidence pursuant to OAR 860-014-0085. The Parties agree to work together on an Explanatory Brief supporting this Stipulation.

6. The Parties agree that this Stipulation is a final and complete settlement of all issues, matters and claims that were raised or could have been raised with respect to (i) Staff's audits and (ii) the amortization of advertising expenses deferred during the 2003 and 2004 Deferral Periods, including, but not limited to, the prudence of such advertising expenses.

7. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any Party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal of the Commission's order.

8. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 14th day of October, 2005.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By /s/ BARBARA W. HALLE

By /s/ JASON JONES



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Barbara W. Halle
Assistant General Counsel

November 15, 2005

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
PO Box 2148
Salem OR 97308-2148

Re: Stipulation Regarding Deferral of Advertising Costs
PGE Advice Filing 05-19

Attention Filing Center:

Enclosed for filing in the above-captioned docket is a Stipulation between Portland General Electric and Public Utility Commission of Oregon Staff. This document is being filed by electronic mail with the Filing Center.

Please note that this Stipulation is supported by the Explanatory Brief filed today by Jason Jones's office. It also relates to PGE's Advice Filing 05-19, which was filed earlier today.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance. If you have any questions regarding this document, please do not hesitate to call.

Sincerely,

/s/ BARBARA W. HALLE

BWH:am

Enclosure