

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 178

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	
COMPANY)	ORDER
)	
Filing of tariffs establishing automatic)	
adjustment clauses under the terms of SB 408.)	

**DISPOSITION: STIPULATION RESOLVING CERTAIN ISSUES
APPROVED; DECISION RENDERED ON
REMAINING ISSUES**

In this order, we approve the Stipulation entered into by Portland General Electric Company (PGE), the Public Utility Commission of Oregon staff (Staff), the Citizens' Utility Board of Oregon (CUB) and the Industrial Customers of Northwest Utilities (ICNU), and decide two issues not resolved by the Stipulation. As a result of these decisions, we order PGE to refund to customers \$37.2 million for excess amounts collected in rates for federal, state and local income tax liability.

INTRODUCTION

Senate Bill 408 (SB 408), passed by the 2005 Legislative Assembly, establishes a new method for the rate treatment of utility income taxes. Generally, SB 408, which is codified at ORS 757.268, requires a utility to true-up any differences between the amounts of income taxes authorized to be collected in rates from customers and amounts of taxes actually paid that are "properly attributed" to the utility's regulated operations. See ORS 757.268(4). The utilities must make annual tax filings reporting these amounts on October 15 of each year. If amounts collected and amounts paid differ by more than \$100,000, the Commission must order the utility to establish an automatic adjustment clause to account for the difference, with a rate adjustment to be effective June 1 of each year. See ORS 757.268(4), (6)(a); OAR 860-022-0041(8).

On October 15, 2007, PGE filed its annual tax report for the Calendar Years 2004, 2005 and 2006 (Tax Report) and tariff revision sheets filed as Advice No. 07-24.¹ Through established procedures, Staff and other parties reviewed the report for compliance with ORS 757.268 and Commission rules codified in OAR 860-022-0041. In response to party comments and following two settlement conferences, PGE made various adjustments to its report, adopting some, but not all, of Staff's Initial Findings' recommendations, and ultimately filed an amended tax report for Calendar Year 2006. ICNU's consultants worked with Staff and agreed with Staff's Initial Findings. Settlement conferences were held on January 7 and 17, 2008.

The Commission approved Advice No. 07-24 during its January 22, 2008, Public Meeting. Although review of the tax reports was still pending, the Commission adopted Staff's recommendation to adopt the tariffs, subject to later revision to incorporate any changes deemed necessary by the Commission. *See* Order No. 08-045.

STIPULATION

As a result of the settlement discussions, on February 1, 2008, PGE, Staff, CUB and ICNU (the Stipulating Parties) filed a Stipulation intended to resolve most issues related to the Tax Report. A copy of the Stipulation is attached as Appendix A and is incorporated by reference.

Position of Parties

The Stipulating Parties agree that the net refund amount of \$37.2 million for federal, state and local taxes reflected in PGE's Amended 2006 Tax Report is proper, subject to the resolution of certain issues described below. The federal and state tax adjustments reflected in the Amended 2006 Tax Report will be implemented through Schedule 140, which is attached to the Stipulation 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 Schedule 106. Joint Testimony and Exhibits in Support of the Stipulation (UE 178/Joint Stipulating Parties/200, Owings—Ball—Tinker—Blumenthal—Jenks) were filed by the parties on February 1, 2008.

The Stipulation notes that the following issues remain to be resolved in future proceedings:

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, 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

¹ Official Notice is taken of the highly confidential information contained in PGE's 2006 Tax Report and its Amended 2006 Tax Report.

the Schedule M adjustments for purposes of calculating the stand-alone liability. Although these issues are not yet resolved, the Stipulation reflects the parties' understanding that they do not alter the reasonableness of the stipulated overall refund amount and expect that some, or all, of the issues will be addressed in a future rulemaking proceeding.

2. The Stipulating Parties disagree as to whether the methodologies set forth in OAR 860-022-0041 are consistent with the goals of ORS 757.268 and reserve the right to challenge the methodologies in another proceeding; however, they agree that the refund amount satisfies the current OAR 860-022-0041 methodology.

3. ICNU opposes the two-year refund amortization schedule proposed by PGE and asserts that the refund should be amortized over one year. The Stipulating Parties wished to preserve their respective positions on this issue, and addressed it in their individual briefs filed later in this docket.

4. PGE objects to the receipt by its customers of the tax benefit from the sale of a non-utility asset, an LM 6000 gas turbine generator (the Turbine), as inappropriate and unconstitutional because they were insulated from the cost of the unregulated asset and were never at risk for any loss associated with the sale. PGE agrees that the refund amount of \$37.2 million is consistent with ORS 757.268 and OAR 860-022-0041 and that removal of the tax benefit from the sale of the Turbine would reduce the net refund by \$4.9 million to a net refund of \$32.3 million. The other Stipulating Parties oppose the PGE adjustment, and all will address this issue in briefs filed later in this docket.

Resolution

The Commission encourages parties to resolve issues and narrow the scope of the proceedings to the extent that such actions further the public interest. In this instance, there has been participation and agreement by parties representing a broad range of interests and no persons have interposed any objections to the Stipulation. Stipulations reduce the burdens of the parties and the Commission and facilitate the prompt completion of matters brought before the Commission for its consideration. We find the changes in the Amended Tax Report adopted by the Stipulation to be in accordance with ORS 757.268 and OAR 860-022-0041 and without prejudice to any future actions we may take with respect to this docket. We adopt the Stipulation's resolution of the agreed upon issues by the parties.

OPEN ISSUES

The Parties briefed two disputed issues for resolution in this proceeding: Issue 3, the Refund Amortization Schedule, and Issue 4, Treatment of Tax Benefits from the Sale of Non-Utility Assets.

Issue 3: The Refund Amortization Schedule.Position of Parties

PGE requests that the adjustment amount be spread over two years, noting that the expected refund (\$32.3 million or \$37.2 million depending on the resolution of the issue relating to treatment of tax benefits from the sale of non-utility assets) will be followed by an expected 2007 tax year surcharge of \$16 million. Use of a two-year refunding period would smooth the rate impact of the rate adjustment this year and mitigate rate volatility next year. Interest would continue to accrue on the outstanding balance and the value of the refund would thus not diminish.²

Staff does not oppose the two-year amortization period, stating that, if PGE's prediction is correct, the two-year amortization period would result in better rate stability in the future.³

ICNU opposes the two-year amortization proposal, urging instead a one-year period. ICNU states that, as a deferred account, one of the goals of the SB 408 balancing account should be to match appropriately the costs borne by and benefits received by ratepayers; ratepayers bore the expense of overcharges during the one-year period and therefore the refund should also occur over a one-year period. If a two-year period is adopted, the customers should get the benefit of the time value of money, applying the appropriate interest rate on the unamortized balance.⁴ In its Closing Brief at page 2, ICNU also argues that PGE's proposal is based on an expected (as opposed to known) \$16 million surcharge for the 2007 tax year, and an amortization proposal should be based on factors known with more certainty.

Discussion and Ruling

The two-year amortization schedule is adopted. The benefits of smoothing the impact on rates and mitigation of future volatility is a practical public benefit outweighing the theoretical preference for time matching costs and benefits as closely as possible. Furthermore, we adopt the principle that ratepayers should receive interest, calculated at PGE's authorized rate of return, subject to revision based upon the outcome of proceedings currently underway in docket UM 1147, on the unamortized balance not paid out during the first year, so that ratepayers will be kept whole throughout this process.

² PGE Opening Brief at 9-10.

³ Staff Opening Brief at 1.

⁴ ICNU Opening Brief at 3-4.

Issue 4: Tax Benefit from the Sale of a Non-Utility Asset

In 2001, PGE contracted to purchase the Turbine for \$16.8 million and an associated transformer for \$414,800, for a proposed Port of Morrow gas generating project. Although it purchased the Turbine and generator with shareholder equity, it did not proceed with the project. Instead, it retained the transformer and transferred the Turbine to Portland General Resource Group, Inc. (PGRG), a non-regulated PGE subsidiary. All costs associated with the Turbine were recorded in non-utility accounts. In 2006, PGRG sold the Turbine for \$6.1 million, resulting in a \$12 million tax loss. PGE sold the transformer at the same time, resulting in an additional tax loss of approximately \$300,000. The combined tax loss from the sales decreased PGE's consolidated 2006 income tax liability by \$4.9 million, the first year PGE was required to issue a tax-related refund or surcharge to customers pursuant to SB 408.⁵ ORS 757.268(4) compares "taxes paid" with "taxes collected" and refunds the difference. "Taxes collected" is based on the utility's actual revenue and certain ratios established in its most recent rate case (OAR 860-022-0041(2)(q)); while "taxes paid" is based on actual tax payment to governmental agencies (ORS 757.268(13)(f)).

Position of Parties

PGE argues that the impact of SB 408 is unlawful because the customers will receive the full \$4.9 million tax benefit of the Turbine loss, while the shareholders who paid for the Turbine and took the risk, receive nothing.⁶ The net effect is an unconstitutional taking under the Fifth and Fourteenth Amendments to the U.S. Constitution and Article I, §18, of the Oregon Constitution, because SB 408 fails to adhere to the "benefits follows burden" principle, a principle cited in an Oregon Department of Justice (DOJ) memorandum to Senators Ryan Deckert and Rick Metsger in 2005, as well as in a DOJ memorandum to the Commissioners captioned "Legality of Setting Utility Rates Based Upon the Tax Liability of Its Parent."⁷ PGE asserts that the U.S. Supreme Court has previously ruled that "a State's decision to arbitrarily switch back and forth between methodologies in a way which require[s] investors to bear the risk of bad investments at some times while denying them the benefit of good investments at others would raise serious constitutional concerns."⁸

Furthermore, PGE argues that SB 408 is flawed because it "creates two different methodologies, depending on whether the unregulated asset is sold for a loss or sold for a profit, such that tax effects that prove beneficial at a consolidated level go entirely to customers while tax effects that prove detrimental at a consolidated level are borne entirely by PGE and its shareholders. SB 408, therefore, does result in arbitrary

⁵ PGE Opening Brief at 2-3.

⁶ PGE Opening Brief at 3-4. PGE filed a deferred accounting application in docket UM 1271 asking the Commission to either defer the Turbine-related refund or the underlying tax effect from the sale, but, by Order No. 07-421, the Commission denied the application, noting that PGE could raise its concern regarding the constitutional issue in the instant docket. Order No. 07-421 at 8.

⁷ *Id.*, at 4-5.

⁸ *Id.*, at 6, citing *Duquesne Light Co. vs. Barasch*, 488 U.S., at 315.

and opportunistic switching between methodologies.”⁹ PGE also contends that federal tax law preempts SB 408, giving PGE the benefits provided to companies that file consolidated federal tax returns.¹⁰

Staff notes that PGE’s constitutional concerns were previously raised in docket UM 1271 and that the Commission denied PGE’s application for Deferred Accounting on the Turbine in that docket. (See footnote 6, *supra*.) Staff relies on its Opening and Reply Briefs in that case and incorporates them into its Opening Brief in this case. Staff asserts that “there is no escaping the fact that PGE’s request [that PGE not be required to issue a tax-related refund to customers from the sale of the Turbine] requires that the Commission ignore SB 408 and its implementing rules....If the Commission concludes that SB 408 and its implementing rules are lawful, PGE’s Application must be denied.”¹¹

Staff notes that the SB 408 legislative process, and the rulemaking process which followed its passage, were long, deliberate processes and not a random and arbitrary process switching back and forth between past practices; rather, the switch was based upon a new legislative direction and requirements and is thus distinguishable from the cited portion of the *Duquesne* case. Furthermore, Staff emphasizes that the U.S. Supreme Court also noted in that case that “an otherwise reasonable rate is not subject to constitutional attack by questioning the theoretical consistency of the method that produced it.”¹² Neither, in Staff’s view, does utility regulation constitute an impairment of contract obligation and thus it does not constitute violations of the contract clauses of the federal and state constitutions.¹³ Staff argues that the calculation of a utility tax expense for inclusion in rates is unrelated to federal tax law and that any future SB 408 adjustments must result in *overall* rates that are just and reasonable.¹⁴

Finally, Staff notes that while the Commission has the authority to declare statutes and rules unconstitutional, it should exercise that authority rarely and with care, especially considering the deliberate process that accompanied the enactment of the SB 408 legislation and the adoption of the implementing rules in AR 499.¹⁵

ICNU claims there is no constitutional issue because, first, there is no property interest involved that can be taken and, secondly, the U.S. Supreme Court has squarely rejected such an argument. ICNU contends that PGE received the federal tax benefit. ICNU believes that PGE is actually asserting a property interest in the monies collected from ratepayers and not actually paid to governmental authorities as taxes, not a property interest in the actual tax benefit itself. “No independent source of law grants

⁹ PGE Reply Brief at 3-4.

¹⁰ PGE Opening Brief at 6-7.

¹¹ Staff Reply Brief, at 2-6, docket UM 1271.

¹² *Id.*, at 8, citing *Duquesne* at 314-315, citing, in turn, *FPC v. Hope Natural Gas Co.*, 320 U.S., at 602.

¹³ Staff Reply Brief at 9, docket UM 1271.

¹⁴ *Id.*, at 10.

¹⁵ *Id.*, at 12.

PGE a property interest in these ‘phantom’ taxes.”¹⁶ ICNU asserts that the U.S. Supreme Court has previously rejected arguments similar to PGE’s that the tax benefits resulting from a consolidated tax filing belong solely to shareholders and that the instant case is indistinguishable.¹⁷

ICNU further claims that the operation of SB 408 will not result in confiscatory rates; SB 408 affects only taxes, a small part of PGE’s revenue requirement, and PGE provided neither argument nor evidence as to the impact of SB 408 on its earnings.¹⁸ The Commission’s application of the rule was not an arbitrary choice but the sole method used to determine taxes to be included in rates going forward; that method was to be used regardless of whether the result is a credit or a surcharge. Thus, the principles enunciated in the ruling in *Duquesne* were not violated.¹⁹ ICNU also asserts that PGE’s argument that the rule is an unconstitutional impairment of contract is incorrect because there is no contractual relationship regarding income taxes that SB 408 could impair. PGE’s reliance on the Commission’s action in the Enron Merger order is misplaced because the obligations were specific to Enron as a merger condition, and did not place any obligations on the Commission because there was no agreement with the Commission regarding income taxes, other than the enforcement of the provisions.²⁰

Finally, ICNU argues that there is no federal preemption issue in the case because SB 408 is not a tax law and, in any event, SB 408 has met the “minimal level of scrutiny” standard when challenged on equal protection grounds.²¹

Discussion and Ruling

We previously addressed this issue in docket UM 1271, Order No. 07-421. In that docket, PGE sought deferral of amounts related to the sale of the Turbine to prevent the flow-through of the resulting tax benefits to ratepayers under the provisions of SB 408. We denied the request, concluding that:

PGE’s proposed use of deferred accounting to block the flow of the tax benefits to customers would require interpreting ORS 757.259(2)(e) in a manner that conflicts with the specific mandates of SB 408....[B]y enacting SB 408, the Legislature concluded that the proper matching of costs and benefits in the context of utility income taxes occurs when customers’ rates reflect income taxes that are actually paid to taxing authorities. We cannot grant an application for deferred accounting that would effectively

¹⁶ ICNU Opening Brief at 5-6.

¹⁷ *Id.*, at 7-8, citing *Fed. Power Comm’n. v. United Gas Pipe Line Co.*, 386 U.S. 237 (1967).

¹⁸ *Id.*, at 9.

¹⁹ *Id.*, at 10-11.

²⁰ *Id.*, at 12-13, citing *Re Enron Corp.*, docket No. UM 814, Order No. 97-196 at App. A, at 2-4, ¶¶7, 10 and 14 (June 4, 1997).

²¹ *Id.*, at 14-15.

thwart this legislative mandate. The fact that PGE purchased the turbine and transformer before SB 408 was enacted does not alter this conclusion.²²

We adopt the same conclusions here. The SB 408 legislative process resulting in the enactment of ORS 757.268 was extensive, open and deliberate, as was the Commission's rulemaking proceeding resulting in OAR 860-022-0041. At no point does PGE argue that the Commission failed to adhere either to the statute or to its own rules. Rather, PGE contends that the rule and its enabling statute violate the federal and state constitutions as both a "taking" without compensation and as a prohibited impairment of contracts.

The changes regarding treatment of tax benefits going forward, as required by the new statute and the implementing rule, do not constitute a random and arbitrary selection of methodology. We also concur in Staff's view that the calculation of a utility tax expense for inclusion in rates is unrelated to federal tax law and not a matter subject to federal preemption. Neither is there any data in the record that would lead us to conclude that PGE has been prevented from earning a reasonable rate of return on its overall investment so as to characterize the legislation's result as confiscatory. Finally, we find the PGE argument regarding impairment of contracts to be inapposite to the instant circumstances. In reaching these conclusions, we also acknowledge that PGE's constitutional claims are now ripe for appeal as discussed in Order No. 07-421 at page 8, should it so choose to pursue them.

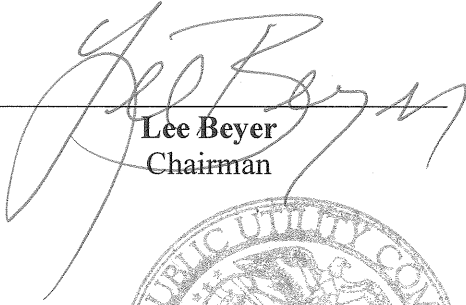
²² Order No. 07-421 at p. 7.

ORDER

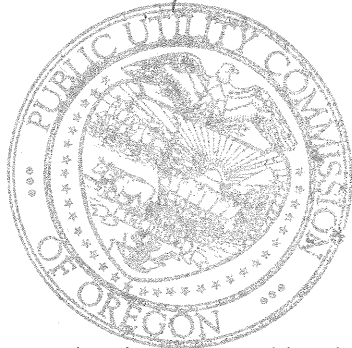
IT IS ORDERED that:

1. The Stipulation submitted by Portland General Electric Company, Commission Staff, the Citizens' Utility Board of Oregon and the Industrial Customers of Northwest Utilities, attached as Appendix A, is adopted.
2. The amount refunded in rates shall be amortized over a period of two (2) years; the interest rate on the unamortized amount to be equal to Portland General Electric Company's authorized rate of return, subject to revision based upon the outcome of proceedings currently underway in docket UM 1147.
3. The tax effect of the loss on the sale of the LM 6000 gas Turbine generator shall be included in the refund calculation as required by ORS 757.268 and OAR 860-022-0041.
4. Portland General Electric Company shall file compliance tariffs effective June 1, 2008, consistent with the terms of this order and that supersede Advice No. 07-24 approved at the January 22, 2008, Public Meeting.

Made, entered and effective APR 11 2008

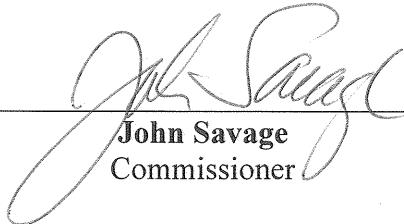


Lee Beyer
Chairman





Ray Baum
Commissioner



John Savage
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

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 *[Signature]*
Its *Course*

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 1 day of February, 2008.

PORTLAND GENERAL ELECTRIC
COMPANY

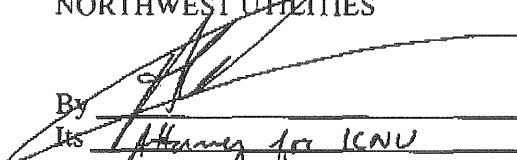
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

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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constitute one and the same agreement.

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. Apuz
Its Executive Director

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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

APPENDIX **A**
PAGE **9** OF **9**
EXHIBIT A
PAGE **1** OF **1**