

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 180/UE 181/UE 184

In the Matters of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY)
)
Request for a General Rate Revision (UE 180))
)
Annual Adjustments to Schedule 125)
(2007 RVM Filing). (UE 181))
)
Request for a General Rate Revision relating to)
the Port Westward Plant. (UE 184))

ORDER

**DISPOSITION: RESOURCE VALUATION MECHANISM
STIPULATION ADOPTED**

In this order, the Public Utility Commission of Oregon (Commission) adopts the stipulation related to the Resource Valuation Mechanism (RVM) portion of this consolidated proceeding. Other disputed issues pending in this proceeding will be addressed in subsequent Commission orders.

BACKGROUND

During March and April of 2006, Portland General Electric Company (PGE) made three filings which have been consolidated for investigation. First, on March 15, 2006, PGE filed Advice No. 06-8 for a general rate revision to increase its retail rates by about \$98 million (Docket UE 180). Second, on March 28, 2006, PGE filed its annual adjustments to Schedule 125, the company's resource valuation mechanism (RVM) (Docket UE 181). Third, on April 24, 2006, PGE filed Advice No. 06-10, to reflect in rates the Port Westward Generating Plant when it comes into service for customers, currently anticipated to be about March 1, 2007 (Docket UE 184).

Pursuant to the procedural schedule adopted in this investigation, the staff of the Commission (Staff) and intervenors published settlement proposals on July 6, 2006. Staff also published a revised settlement proposal on July 12, 2006. Settlement conferences were held on June 22 and August 7, 2006. The settlement conferences were open to all parties.

As a result of those settlement discussions, PGE, Staff, Citizens' Utility Board of Oregon (CUB), the Industrial Customers of Northwest Utilities (ICNU), and Fred Meyer Stores (collectively referred to as Stipulating Parties) reached settlement on issues related to the RVM, with the exception of issues related to power costs. On August 24, 2006, PGE filed a stipulation (Stipulation) reflecting the parties' agreement.¹ On that same day, PGE also filed a brief, jointly sponsored by witnesses for PGE, Staff, ICNU, and CUB, to support the Stipulation. The Stipulation and supporting testimony were entered into the record as evidence pursuant to OAR 860-014-0085(4).

RESOURCE VALUATION MECHANISM STIPULATION

This is the fifth docket that has addressed the annual RVM mechanism, but it differs from past dockets because there is also an ongoing general rate case. Rates from this RVM docket will go into effect on January 1, 2007, and it is anticipated that new rates from the general rate case, supplanting these RVM rates, will go into effect on January 14, 2007. The RVM rates addressed in this Stipulation are anticipated to only be in effect for a little while.

The parties continue to dispute issues related to power costs, including issues that will be decided in the rate case such as PGE's proposed Annual Variance Tariff and Power Cost Adjustment Mechanism, and cost of capital issues. Those issues remain to be decided by the Commission in the rate case portion of this proceeding, and testimony filed in this proceeding relating to those issues will be considered at that time.

In discussing potential power cost related adjustments, Staff argued that adjustments of \$27.2 million should be made. ICNU raised adjustments totaling \$9.8 million. CUB discussed issues, but did not propose a specific dollar amount. PGE disputed that any adjustments were needed. In the Stipulation, the parties agreed to an adjustment that decreases annual net variable power costs by \$8.588 million, which will be applied to Part A of Schedule 125. This reflects a reduction in projected power costs of \$400,000 for the short while it is anticipated that the rates will be in effect before being supplanted with rates ordered in the general rate case.

In addition, the Stipulation provides for certain gas transportation costs. PGE purchases gas transportation on two pipelines that currently have rate increase requests pending before the Federal Energy Regulatory Commission (FERC). If FERC issues orders prior to October 16, 2006, the new FERC rates will be used. If FERC does not issue orders by then, the Stipulation provides that the parties will cooperate to determine baseline rates to be used in the final power cost updates. If no agreement is reached, the rates requested by the pipeline companies will be used. A deferral will be filed to capture the difference between this baseline and the actual rates later implemented by FERC. In this way, power cost projections will be trued-up to the actual FERC ordered pipeline transportation rates.

¹ PGE also filed a motion to allow the late-filing of the RVM stipulation, which had been due August 21, 2006. That motion was granted by a ruling on September 8, 2006.

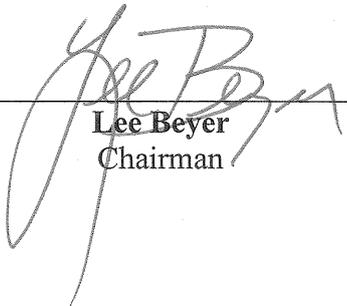
The Stipulating Parties agree that these modifications are in the public interest, and will result in rates that are fair, just, and reasonable. The schedule calls for a decision on the RVM portion of this docket by October 20, 2006, so that PGE can file subsequent RVM updates on November 2 and 9, 2006. No party has opposed the Stipulation, and the time for doing so has expired.

ORDER

IT IS ORDERED that:

1. The Stipulation, attached as Appendix A, is adopted in its entirety.
2. Portland General Electric Company shall file revised rate schedules consistent with this order.

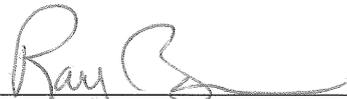
Made, entered, and effective OCT 09 2006.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
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 180/ UE 181/ UE 184

In the Matter of)
)
 PORTLAND GENERAL ELECTRIC)
 COMPANY)
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 Request for a General Rate Revision (UE 180),)
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In the Matter of)
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 PORTLAND GENERAL ELECTRIC)
 COMPANY)
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 Annual Adjustments to Schedule 125 (2007)
 RVM Filing) (UE 181),)
 _____)

STIPULATION REGARDING
REVENUE REQUIREMENT
ISSUES

In the Matter of)
)
 PORTLAND GENERAL ELECTRIC)
 COMPANY)
)
 Request for a General Rate Revision relating to)
 the Port Westward Plant (UE 184).)
 _____)

This Stipulation (“Stipulation”) is among Portland General Electric Company (“PGE”) Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of Oregon, the Industrial Customers of Northwest Utilities, and Fred Meyer Stores, (collectively, the “Stipulating Parties”).

I. INTRODUCTION

On March 15, 2006, PGE filed Advice No. 06-8 for a general rate revision to increase its retail rates by about \$98 million. The filing was based on a projected test year of 2007 and was

docketed as UE 180. The advice filing was suspended by the Commission, and on April 4, 2006, the Administrative Law Judge held a Prehearing Conference and established a procedural schedule. On April 24, 2006, PGE filed Advice No. 06-10, to reflect in rates the Port Westward generation plant when it comes into service for customers, currently anticipated to be about March 1, 2007. That filing was docketed as UE 184, and was also suspended by the Commission. Dockets UE 180, UE 184 and UE 181 (PGE's 2007 RVM filing), have all been consolidated.

Pursuant to the procedural schedule adopted by the Administrative Law Judge, Staff and Intervenors published settlement proposals on July 6, 2006. Staff also published a revised settlement proposal on July 12, 2006. Settlement Conferences were commenced on July 13, 14 and 17, 2006, and were continued on July 20 and 24. The Settlement Conferences were open to all parties. As a result of those settlement discussions, the Stipulating Parties have agreed to a reduction in PGE's requested revenue requirement with respect to specified adjustments. The Stipulating Parties submit this Stipulation to the Commission and request that the Commission adopt orders in this docket implementing the following.

II. TERMS OF STIPULATION

1. This Stipulation is entered to settle all revenue requirement issues except cost of capital, power costs, Port Westward, and AMI.
2. The Stipulating Parties agree that PGE will reduce its revenue requirement request, and make rate base modifications, to reflect the adjustments listed in Attachment A to this Stipulation. The parties agree to calculate the revenue requirement impact of the adjustments listed in Attachment A consistent with the final Commission approved cost of capital in this case.

3. The Stipulating Parties recommend that the Commission approve the various tariff, rate base, expense and other revenue adjustments described in Attachment A.

4. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the parties. 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. The Stipulating Parties agree that they will not cite this Stipulation as precedent in any other proceeding other than a proceeding to enforce the terms of this Stipulation.

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

6. If this Stipulation is challenged by any other party to this proceeding, or any other party seeks a revenue requirement 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, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Stipulating Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

7. 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 Party reserves the right to withdraw from this 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 Stipulation or adds such material condition.

8. 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, and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR § 860-14-0085(4).

9. 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.

10. 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 ^{24th} day of August, 2006.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

throughout this proceeding and in any appeal, provide witnesses to sponsor this Stipulation at the hearing, and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR § 860-14-0085(4).

9. 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.

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DATED this ^{24th} day of August, 2006.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



CITIZENS' UTILITY BOARD OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

FRED MEYER STORES

CITIZENS' UTILITY BOARD OR OREGON



INDUSTRIAL CUSTOMERS OF
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CITIZENS' UTILITY BOARD OR OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES



FRED MEYER STORES

Attachment "A"

The Stipulated adjustments to PGE's advice filing are described below. The revenue requirement impact of each adjustment will be determined once the Cost of Capital issue is decided.

- S-1 Taxes Other Than Income: Reduce O&M costs by \$2,267,000.
- S-3 O&M / A&G: Reduce O&M costs by \$6,551,000, which consists of \$34,000 in Transmission O&M, \$1,623,000 in Distribution O&M, and \$4,894,000 in A&G.
- S-5 Incentives: Reduce O&M costs by \$4,366,000, and reduce rate base by \$1,271,000.
- S-6 Wages/Salaries: Reduce O&M costs by \$3,534,000, and to reduce rate base by \$1,029,000.
- S-8 Other Revenue: Increase Other Revenue by \$40,000.
- S-9 Capital Expenditures: Reduce rate base by \$7,000,000.
- S-11 System Losses: No change to PGE's filed Line Loss Study.
- S-12 Memberships: Reduce O&M costs by \$82,000.
- S-13 Tenant Improvements: No change to PGE filed case.
- S-14 Weatherization: Reduce O&M costs by \$69,000, with the ability of PGE and other parties to present testimony and argument, and seek a Commission decision, regarding the policy behind these expenses.
- S-15 Customer Service/Accounts: Reduce O&M costs by \$1,575,000.