



Portland General Electric Company
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

September 10, 2021

Via Electronic Filing

Public Utility Commission of Oregon
201 High Street, Ste. 100
P. O. Box 1088
Salem, OR 97308-1088

Re: UI _____ Application for Affiliated Interest Transaction

Dear Filing Center,

Enclosed for filing is an application for approval of a transaction between Portland General Electric Company (PGE) and Portland Renewable Resource Company, LLC (PRR). The proposed transaction is:

- PGE to provide support services to PRR in accordance with the Master Service Agreement (MSA) between PGE and its affiliates. We have updated the MSA between PGE and the affiliates to include Addendum 8 for PRR. The updated MSA is provided as Attachment 1 to this filing.

For the purposes of this application, “affiliates” means persons or corporations having an affiliated interest with PGE under Oregon Revised Statutes (see ORS 757.015 and ORS 757.495).

As in the previous MSA applications, all PGE services to PRR will be priced at the higher of fully allocated cost or market (unless specified otherwise).

All transactions between PGE and its affiliates are subject to audit by the Commission and a summary of transactions are filed annually in PGE's affiliated interest report as required by OAR 860-027-0100.

If you have any questions or require further information, please call me at 503-464-7488 or contact Megan Stratman at megan.stratman@pgn.com. Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pgn.com.

Sincerely,

/s/Jay Tinker
Jay Tinker
Director, Rates and Regulatory Affairs

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UI-____

IN THE MATTER OF

PORTLAND GENERAL ELECTRIC
COMPANY

AFFILIATED INTEREST
TRANSACTIONS

**Application for Affiliated Interest
Transaction between PGE and Portland
Renewable Resource Company**

Pursuant to OAR 860-027-0040, OAR 860-027-0041, ORS 757.015 and ORS 757.495, Portland General Electric Company (PGE) hereby files an Application for Public Utility Commission of Oregon (Commission or OPUC) approval of transactions between PGE and Portland Renewable Resource Company, LLC (PRR), a wholly-owned PGE subsidiary and affiliate.¹ The proposed transactions consist of the following:

- PGE to provide support services to PRR in accordance with the Master Service Agreement (MSA) between PGE and its affiliates.

We address the transactions separately in Section C, below, per the requirements of OARs 860-027-0040 and 860-027-0041. In Section A, we provide an overview of PGE's proposal and in Section B, we provide greater detail regarding a planned subsequent affiliated interest application, and how the transactions would benefit customers.

A. Overview

In alignment with the State of Oregon's policy direction of decarbonization, PGE is continuing its efforts as a company to decarbonize its energy supply, increase electricity as a share of total energy use, and enhance operational performance and efficiency on behalf of its

¹ Persons or corporations having an affiliated interest with PGE under ORS 757.495.

customers. PGE's current affiliated interest application, and planned subsequent interest application, will help support PGE's decarbonization efforts that align with the recently enacted policy objectives in House Bill (HB) 2021. The current affiliated interest application requests approval of amending the MSA between PGE and its affiliates to also include PRR. The subsequent potential affiliated interest filing will be for approval of a power purchase agreement(s) (PPA) between PGE and PRR, and a parental guaranty(ies) from PGE on behalf of PRR (Parental Guaranty).

PGE's overall proposal is intended to address certain structural tax disadvantages encountered by utilities, due to the unintended consequences of Internal Revenue Service (IRS) normalization requirements. The affiliate and subsequent PPA would provide a greater price benefit to customers as PGE decarbonizes, which is otherwise precluded by the IRS normalization requirements.

Existing IRS normalization requirements for public utility properties delay and reduce the benefits of investment tax credits (ITCs) on eligible property, including solar facilities, in determining tax expenses for ratemaking purposes. Third-party market participants are not constrained by IRS normalization requirements and thus have a significant advantage in procurement processes, as exemplified in Table 1, below. This third-party advantage reduces the competitiveness of procurement processes and ultimately is a detriment to customers.

To overcome the structural tax inefficiencies the utility can purchase the output from those renewable resources subject to normalization in the form of a PPA from an affiliate of the utility. Because the PPA from the affiliate would participate in competitive procurements, it could reflect the lowest cost resource available to the utility providing customers with the following benefits: 1) the full benefit of the ITC is passed to customers immediately and not kept

in the form of earnings for third-party market participants; 2) customers are guaranteed long-term access to the best renewable resources, and sites; and 3) the increased competition ensures all bidders provide their most competitive pricing. A more detailed description of PGE's overall proposal is provided in Section B, below.

In order for PGE to pursue this option, we request approval for the agreement and associated services provided from PGE to PRR as described in Section C:

- Pursuant to OARs 860-027-0040 and 860-027-0041, Section C describes the support services that PGE will provide PRR. The support services are described and incorporated in the Master Service Agreement previously approved by Commission Order No. 06-250 in Docket No. UI-248.

As mentioned, PGE plans a second affiliated interest filing where it will seek approval of a PPA and Parental Guaranty. The potential PPA is described in more detail in Section B.

B. Detailed Proposal Discussion

1. Introduction

Ensuring access to competitively priced renewable energy is imperative to support Oregon's decarbonization goals and PGE's strategy. The recently enacted House Bill (HB) 2021 requires PGE to submit plans to reduce emissions by 80% from a baseline amount by 2030, 90% by 2035 and 100% by 2040.² Additionally, Governor Brown's Executive Order No. 20-04 calls for substantial reductions in greenhouse gas (GHG) emissions:

It is in the interest of utility customers and the public generally for the utility sector to take actions that result in rapid reductions of GHG emissions, at reasonable costs, to levels consistent with the GHG emissions reduction goals set forth in paragraph 2 of this

² Enrolled HB 2021, Section 4.
<https://olis.oregonlegislature.gov/liz/2021R1/Downloads/MeasureDocument/HB2021/Enrolled>

Executive Order, including transitioning to clean energy resources and expanding low carbon transportation choices for Oregonians.³

As noted above, PGE's proposal to further least-cost renewable generation not only complies with Oregon policy and legislation, but also supports PGE's decarbonization, electrification, and performance strategic imperatives. PGE remains focused on achieving these decarbonization goals while keeping customer prices affordable, and to do so must ensure our customers have access to competitively priced renewable resources.

As discussed in Section A, the overall objective of these filings is to solve an unintended tax disparity regarding ITCs, which arises from IRS normalization requirements for utilities. Solving the tax disparity will increase the likelihood that the full ITC benefit is realized by customers.

2. Structural Tax Disadvantage – Normalization

Under existing IRS requirements, normalization delays and reduces the benefits of ITCs in determining tax expense for utility ratemaking purposes. IRS normalization requirements prevent the utility from passing the ITC benefit to customers in year one (the year the ITC is recognized for tax purposes) and instead requires the utility to amortize the benefit of the ITC to customers as a reduction to rate base over the life of the related asset. The impact of this delay and reduction of ITC benefits results in an approximate 20% price increase to the levelized cost of energy (\$/MWh) for a utility-owned project in comparison to a third-party or affiliate offer for the exact same resource. See Table 1 below, for a comparison of costs for an ITC qualified asset of \$100 million with a useful life of 30 years and – for ease of the example – book and tax

³ Brown, Kate. "Executive Order No. 20-04." Office of the Governor. State of Oregon. 10 Mar 2020, page 8. Retrieved from <https://drive.google.com/file/d/16islO3GTqxVihqhhIcjGYH4Mrw3zNNXw/view>

depreciation are the same. The result is that projects not subject to normalization would have a net present value (NPV) benefit of \$16.1 million over utility projects subject to normalization.

**Table 1 – Comparison of Normalization versus Non-Normalization Costs
(\$millions)**

Year	1	2	3	...	28	29	30	Total	NPV Total
Normalization Cost	3.3	3.2	3.0		0.3	0.2	0.1	49.9	28.0
Non-Normalization Cost	(25.3)	4.5	4.4		0.4	0.2	0.1	41.3	11.9
Difference	28.6	(1.4)	(1.3)		(0.1)	(0.1)	0.0	8.6	16.1

The inefficiency that normalization introduces is acknowledged by federal legislators, but progress on resolving this issue has been stymied by other federal priorities. In lieu of a federal legislative solution, certain state legislatures passed laws allowing the utility to charge competitive market prices (e.g., Nevada⁴, Utah⁵, and Virginia⁶) and companies have also leveraged an affiliate structure⁷ to provide a solution.

This affiliate structure allows the utility to purchase the power generated through an intercompany PPA and keep the recovery of the facility out of rate base. The exclusion of the resource from utility rate base, and the charging of a market-based PPA rate, is key for the resource to be viewed as non-public utility property by the IRS, and therefore, not subject to the tax normalization inefficiency.

In addition to the existing ITC for both solar and solar plus storage, there is potential for stand-alone storage facilities to qualify for the ITC in the future. This would greatly expand the amount of ITC benefits available to utility customers for new and expansive clean energy technologies, and also emphasizes the need to address the impacts of normalization and the resulting limitations on the competitive procurement process. The HB 2021 legislation limits

4 <https://www.leg.state.nv.us/App/NELIS/REL/80th2019/Bill/6651/Text>

5 <https://le.utah.gov/~2018/bills/static/HB0261.html>

6 <https://lis.virginia.gov/cgi-bin/legp604.exe?151+ful+CHAP0599>

7 <https://www.irs.gov/pub/irs-wd/202042005.pdf>

development of carbon emitting resources, therefore energy storage, the only current viable non-emitting capacity resource, will be relied on to address capacity needs. Consequently, PGE believes the ability of an affiliate to participate and submit bids increases competition and the likelihood that the full benefit of the ITC from third-party bids is shared with customers.

3. Customer Benefit of Competitive Utility/Affiliate Options

The inability to timely pass the full value of the ITCs to customers under the traditional rate base model due to normalization has two significant and related impacts on utilities, which could result in PGE customers not receiving the best price for renewable energy:

- **Competition:** A competitive utility/affiliate option provides an incentive for all third-party market participants to provide their most competitive pricing and for all projects to be considered regardless of developer ownership preference.
- **Long-Term Access:** Without a competitive utility/affiliate resource, PGE customers may not benefit from a utility's, or its affiliate's, ability to secure long-term access to the best renewable resources, and sites.

Competition

Without the ability for a utility, or its affiliate, to own renewable resources, PGE customers cannot be ensured the most competitive pricing. This manifests in two different ways: pricing and participation. Third-party participants are not subject to normalization rules and can factor the utility's pricing limitations into their pricing. In other words, the 20% ITC normalization price difference between those projects subject to normalization or not, renders a utility's traditional ownership non-competitive for a renewable solar resource and therefore third-parties could keep a portion of the 20% inefficiency as earnings rather than sharing with PGE customers. Additionally, the inefficiency of normalization is likely to prohibit the utility

from including an offering in competitive procurements, therefore reducing the number of projects and developers participating in procurement processes. Because of the decreased competition and lack of utility offering, the winning option in procurement processes will likely keep a portion of the normalization inefficiency for profits resulting in higher customer prices than necessary.

Long-Term Access

The best renewable resources from both a cost and risk perspective are those that are in the sunniest or windiest locations, interconnect to the grid efficiently, and use cost-effective transmission strategies. While technology, such as the efficiency of solar panels, changes over time, these key variables rarely do. Utility/affiliate options ensure that PGE customers have long-term access to those resources that combine these key variables on a cost-of-service basis without being subject to market price volatility. Third-party PPAs provide no guarantee of this long-term access. For PPAs with no extension or purchase option at the end of the term, the resource owner can evaluate then-current market pricing and update their pricing to the current economic realities regardless of how many efficiencies the existing infrastructure and equipment may be able to provide. This provides an opportunity for third-party PPAs to be re-marketed and sold to someone else. Those with an extension or purchase option do provide PGE customers with some opportunity for longer-term access but negotiating their inclusion can be difficult, and the purchase option, because of tax rules, is often at Fair Market Value, which again allows the current economic realities to be reflected in the sales price.

4. Customer Focused Solution

PPA(s) proposed between PGE and its affiliate, PRR, will allow PRR to own a renewable resource and sell the energy to PGE without having to reflect normalization of ITC benefits. The

renewable energy will be priced at cost and be at market rates. As such, the PPA with PRR will appear no different to customers than any other third-party PPA. Consequently, pending Commission approval, the PPA would then be incorporated into PGE's power cost forecast (e.g., similar to other bilateral or PPAs procured in an RFP), by use of PGE's MONET forecast model, in general rate cases (GRCs) and the Annual Update Tariff (AUT), as applicable. The PPA will reflect the cost of the renewable energy based on the levelized revenue requirement of the selected resource.

B. Services PGE will Provide PRR

PGE provides its affiliates with the following types of support services as described and incorporated in the attached MSA (previously approved by Commission Order No. 06-250 in Docket No. UI-248): printing and copying, mail services, computer hardware and software support, human resources support, tax and legal services, accounting services, business analyses, purchasing, product development, finance and treasury services, and construction and engineering services.

1. The information required by OAR 860-027-0040(2) in connection with Application for Approval of Transactions between Affiliated Interests:

(a) *The applicant's exact name and the address of its principal business office.*

Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.

(b) *The name and address of the person authorized, on the utility's behalf, to receive notices, inquiries, and communications regarding the information. See C. 2. (b), below.*

(c) *A statement describing the relationship between the utility and the contracting entity as defined by ORS 757.015, ORS 757.490, ORS 759.010, or ORS 759.385. PGE has an affiliated interest relationship with PRR, as defined in ORS 757.015(6).*

(d) *The amount, kind, and ratio to total voting securities held, if applicable.* PGE holds 100% of the common stock of PRR.

(e) *A list of all officers and directors of the affiliated interest who are also officers or directors of the applicant:*

<u>Name</u>	<u>PGE Title</u>	<u>PRR Title</u>
Maria M. Pope	President and CEO	President and CEO
James Ajello	Sr. Vice President, CFO, and Treasurer	Sr. Vice President, CFO, and Treasurer
Brad Jenkins	Vice President, Utility Operations	Vice President, Utility Operations

(f) *The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract.* No PGE officer has a direct or indirect pecuniary interest in PRR, or any indirect pecuniary interest in any contract or agreement between PGE and PRR.

(g) *A description of the goods or services to be provided, the cost incurred in providing each of the goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services.*

(i) Services to PRR:

PGE will provide office support, business analysis, finance and treasury support, human resources, investor relations, legal services, construction and engineering, purchasing, consulting/training services, and other services as listed in the MSA (see Attachment 1).

(ii) Billing by PGE:

PGE will bill PRR for all services provided to it at the applicable rate in the MSA.

These billings will create short-term accounts receivables on PGE's books.

(iii) Pricing by PGE:

PGE support services provided to PRR will be at the higher of cost or market, unless otherwise specified and approved by the Commission.

(h) *An estimate of the amount the utility will pay annually for the goods or services and the accounts in which it will record the charges.* The estimate of the amount that PGE will pay PRR will be included in the subsequent affiliated interest filing. PGE will provide services to PRR in accordance with the MSA.

(i) *The reasons, in detail, relied upon by the utility for procuring the proposed goods or services from the affiliate and benefits, if any; utility customers and the general public will derive from the provision of goods or services.* Not applicable with this filing. The overall proposal is intended to provide customers with least-cost renewable energy in a way that does not include additional costs imposed as a result of IRS normalization requirements. As discussed in Section B above, the structural disadvantage of being unable to timely pass the full value of the tax credits to customers has three significant and related negative impacts on utilities – competition, long-term access, and higher prices -, which all result in PGE customers not receiving the lowest price for renewable energy.

The solution is a PPA from an affiliate of the utility. Using this approach, the affiliate can provide PGE customers with benefits as good as or better than third-party offers and without being subject to the IRS normalization requirements.

(j) *A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of the procurement, relied upon by the utility for procuring the proposed goods or services without a competitive procurement process, if such a process is not used.* Not applicable with this filing. PGE expects that the subsequent affiliated interest filing will include PPA(s) procured in a competitive procurement process, for example, the Commission's Competitive Bidding Rules.

(k) *Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process.* Not applicable with this filing.

(l) *A copy of the proposed contract or agreement between the utility and the contracting entity.* Attachment 1 to this filing provides a copy of the MSA with Addendum 8 representing the affiliate PRR agreements. A copy of the PPA and related agreements between PGE and PRR will be submitted with the subsequent affiliated interest filing.

(m) *Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.* No stockholder approval is required for the proposed transactions.

2. The information required by OAR 860-027-0041 in connection with Application for approval of utility goods and services provided to affiliated interests:

(a) *Its exact name and the address of its principal business office.* See C. 1. (a), above.

(b) *The name of the persons authorized on the energy or large telecommunications utility's behalf to receive notices, inquiries, and communications regarding the information.*

Jay Tinker
Director, Rates and Regulatory Affairs
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jay.tinker@pgn.com

Loretta Mabinton
Managing Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street
Portland, OR 97204
(503) 464-7822
loretta.mabinton@pgn.com

In addition to the names and addresses above, the following are to receive notices and communications via the e-mail service list:

Megan Stratman
megan.stratman@pgn.com

Regulatory Consultant, Rates and Regulatory Affairs

(c) *A statement describing the relationship between the energy or large telecommunications utility and the other contracting entity as defined by ORS 757.015, ORS 757.490, ORS 759.010, or ORS 759.385. See C. 1. (c) above.*

(d) *The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract. See C. 1. (f), above.*

(e) *A description of the goods or services to be provided, the costs incurred in providing those goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services. See C. 1. (g), above.*

(f) *An estimate of the amount the energy or large telecommunications utility will receive annually for the goods or services and the accounts in which it will record the payments.* PGE does not currently have an estimate of the amount it expects to receive for services from the affiliate PRR and will depend on the level of activity arising from the subsequent affiliated interest filing and the processes in which PRR will submit the PPA.

(g) *The reasons relied upon by the energy or large telecommunications utility for providing the proposed goods or services and the benefits, if any; utility customers will derive from the provision of goods or services:* Since it is not currently anticipated that PRR will have its own employees, PGE will provide these services to PRR because it will be cost effective and efficient to provide these services to PRR. PGE's customers will benefit from the services to PRR because they would support PRR's efforts to provide least-cost, renewable energy to PGE. Finally, these services are consistent with those approved by Commission Order No. 06-250 for PGE's other affiliated companies.

(h) *A copy of the contract or agreement between the energy or large telecommunications utility and the contracting entity that is the subject of this filing:* Attachment 1 to this filing is the MSA, which covers the provision of support services by PGE to its affiliates and those that the affiliates provide to PGE. Addenda 1 through 7 list the agreements between PGE and specific affiliates for services or transactions to and/or from PGE, with Addendum 8 representing the affiliate PRR agreements. As noted above, the Commission approved the current MSA (and Addenda 1 through 7) in Order No. 06-250 in Docket No. UI-248. A copy of the PPA and related agreements between PGE and PRR will be submitted with the subsequent affiliated interest filing.

(i) *Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.* No resolution by the board of directors is necessary; nor is stockholder approval needed for the services PGE will provide to PRR.

WHEREFORE, PGE respectfully submits this application for an order authorizing the affiliated interest transaction set forth above.

Dated this 10th day of August 2021.

Respectfully Submitted,

/s/ Jay Tinker

Jay Tinker
Director, Rates and Regulatory Affairs
On Behalf of Portland General Electric Company

Attachment 1

Provided in Electronic Format only

PGE/Affiliates Master Service Agreement

MASTER SERVICE AGREEMENT

THIS AGREEMENT, dated _____, 2006, including addenda, is between PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation ("PGE"), and its affiliates and subsidiaries ("Master Service Agreement"). PGE's affiliates include the affiliates and subsidiaries as listed in Exhibit A, which may be amended periodically. They are referred to herein as "Affiliated Interests," in accordance with the definition contained in ORS 757.015.

RECITALS

- A. PGE is a regulated electric utility operating within the state of Oregon with its headquarters located in Portland, Oregon.
- B. PGE employs certain expert personnel capable of performing needed management, analytical, professional, and administrative services in furtherance of the operations of its Affiliated Interests.
- C. PGE's Affiliated Interests employ certain expert personnel capable of performing needed services in furtherance of PGE's operations.
- D. PGE and its Affiliated Interests agree that in some cases it would be more economical for each to provide the other with management, administrative, and other professional services, rather than for each to obtain such services by employing additional staff or by retaining independent contractors or consultants.
- E. PGE desires to make available to its Affiliated Interests such personnel and management, administrative, and other professional services as the Board of Directors or officers of those Affiliated Interests shall reasonably request in the future, without detriment to its utility functions.

F. PGE's Affiliated Interests desire to make available to PGE such personnel and management, administrative, and other professional services the board of directors or officers of PGE shall reasonably request in the future, without detriment to its corporate functions.

THEREFORE, the parties hereto agree as follows:

PGE Services

1. Upon the request of the Board of Directors, officers, or managers of PGE, PGE will furnish to its Affiliated Interests the following administrative services as required, given the terms and conditions as follows:

<u>Services</u>	<u>Service Description</u>
A. Office Support	Word Processing, secretarial services, communications, mail services, printing, records management, facilities management, office space, conference room services, office supplies, furniture and equipment, computer services for affiliates' employees located in the World Trade Center or other buildings.
B. Business Analysis	Tax, regulatory, accounting, budgeting, and financial reporting assistance. Also, tax planning, financial and strategic studies, internal auditing services, market intelligence, marketing and product development support, engineering.
C. Finance and Treasury Support	Cash management services, maintain banking relationships, oversee financing, manage corporate and pension investment funds, and provide analytical support.
D. Human Resources	Administration of human resources and management of payroll and benefits.
E. Investor Relations	Provide information for investors. Provide support for corporate communications with the public and the media.
F. Legal Services	Services provided by PGE's Legal Department for legal proceedings and other legal functions.
G. Construction and Engineering Services	Purchasing materials and supplies, hiring contractors and hiring engineering services.
H. Purchasing	Purchasing goods, materials and services through PGE's Service and Contracts Department.
I. Consulting/Training Services	Providing labor, materials and expertise for consulting/training.
J. Other Services	Other services as defined and priced in the Addenda, signed by PGE and appropriate entity, and approved by the OPUC.

2. **Affiliated Interest Services**

Upon the request of the Board of Directors, officers, or managers of PGE, PGE's Affiliated Interests will furnish to PGE services as required, upon the terms and conditions set forth herein and in the attached Addenda.

3. **Requests for Service**

All services provided will be based on a mutually agreeable work scope, specifying the scope of services, personnel, and budget for services. Changes in the scope of work will be agreed to by the parties.

4. **Basis of Charges**

If the service cost or benefit is intended for inclusion in PGE's retail revenue requirement, then

- a. All billing by PGE to an Affiliated Interest will be at the higher of cost or market, unless otherwise specified and approved by the OPUC; and
- b. All billings by an Affiliated Interest to PGE will be at the lower of cost or market, unless otherwise specified and approved by the OPUC.
- c. For the purpose of this Master Service Agreement, "cost" shall include:
 - (i). All out-of-pocket expenses of the provider of services incurred in connection with the services rendered including an appropriate share of salaries and benefits; amounts paid for independent technical and professional services; and all overhead expenses, including but not limited to space utilization; and
 - (ii). A reasonable return on any investment in assets, equipment, or plant supporting the provision of services ("tangible assets") in the following amounts:

(a) For services provided by PGE, the return on tangible assets employed, if any, will be no less than the authorized rate of return of PGE on its investment serving its electric ratepayers; and

(b) For services provided by an Affiliated Interest, the return on tangible assets employed, if any, will be no more than the authorized rate of return of PGE on its investment serving its Oregon electric ratepayers.

Costs shall include both direct and indirect costs of operation. Cost allocation is used where a cost incurred by an Affiliated Interest is attributed to related and/or unrelated third parties, including PGE. Exhibit B to this Master Service Agreement describes the method used for allocating common costs to be used by the Affiliated Interest.

5. **Method of Charging for Services**

Once the appropriate basis for charges is established in accordance with Section 4, accounting charges shall be made as follows:

a. PGE Charges to Affiliates

PGE will directly assign charges to Affiliated Interests for services involving labor provided to Affiliated Interests on the basis of the number of hours worked by PGE employees multiplied by the cost rate per hour applicable to those employees. The hourly rate will be adjusted to include all appropriate payroll loadings (for benefits, taxes, etc). In addition, the applicable Administration & General (A&G) allocation rate will be applied to derive the fully loaded cost of employee time associated with services provided. Materials, supplies, and other vouchered items will similarly be charged to Affiliated Interests on the basis of the full cost of the items supplied. Supporting documentation on the cost of non-labor items will be available to Affiliated Interests to

substantiate the charges billed. Non-labor costs will not have an A&G allocation rate applied. The allocation of PGE indirect costs to Affiliated Interests is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report. The most current Cost Allocation Manual (as of the effective date of this Master Service Agreement) is attached hereto as part of Exhibit B. Any charges under this Section will be in accordance with PGE's most recent Cost Allocation Manual on file with the Commission.

b. Affiliated Interest Charges to PGE

Affiliated Interests will directly assign charges to PGE for services involving labor provided to PGE on the basis of the number of hours worked by employees of Affiliated Interests multiplied by the cost rate per hour applicable to those employees. The hourly rate will be adjusted to include all appropriate payroll loadings (for benefits, taxes, etc). In addition, the applicable Administration & General (A&G) allocation rate will be applied to derive the fully loaded cost of employee time associated with services provided.

Allocable costs which meet the four-point test described herein will be allocated based on methods described in Exhibit B to this Master Service Agreement. The four points that costs must meet for inclusion in rates are: (1) they must be a necessary, just and reasonable regulated utility expense; (2) they must be for functions that PGE would perform as a stand-alone utility; (3) they must not arise from non-regulated activities; and (4) they must not duplicate functions already performed at PGE.

Periodically, PGE will review the work functions supplied by Affiliated Interests. The review will include a determination of the functions supplied and the relationship

between costs incurred (Direct and Allocable) and the entities creating those costs, and establish allocation factors for budgeting and for assigning any allocable costs in accordance with this Section and Section 4 above. In addition, any changes to Exhibit B concerning Affiliated Interest charges to PGE will be submitted to the Commission for approval.

6. **Invoicing**

- a. As soon as practicable after the last day of each month, the provider of services will invoice the recipient for services and expenses for the month concluded, computed pursuant to Section 4 above.
- b. All invoice charges will be supported by documentation satisfactory to the recipient. Charges for services will be entered into the accounting records in the month following the period in which services were rendered. However, if the invoice is less than \$50,000, charges will not be entered until either (1) total invoices are more than \$50,000 or (2) quarterly, whichever comes first.

7. **Billing Disputes**

Disputes on billings for services will be resolved through negotiations between an officer of the Affiliated Interest and the Vice President of the department at PGE responsible for providing services or their respective designees.

8. **Books and Records**

- a. All transactions made under this Master Service Agreement will be recorded by PGE in accordance with the uniform system of accounts prescribed by the regulatory authorities having jurisdiction over PGE.

- b. Each party shall have the right at all reasonable times to examine the books and records of the other for the purpose of verifying the cost of the services performed by the other party.

9. **Limitations on Service**

- a. PGE shall render diligently and competently all services reasonably requested by Affiliated Interests to the extent it will not harm PGE's utility functions.
- b. Affiliated Interests shall render diligently and competently all services reasonably requested by PGE to the extent those Affiliated Interests can make available their resources without detriment to its corporate functions, and to the extent that Affiliated Interest services to PGE are specified in the attached Addenda to this Master Service Agreement.
- c. PGE and Affiliated Interests shall coordinate and administer all services being rendered under this Master Service Agreement in order that such services shall be furnished as efficiently and economically as possible.
- d. Neither PGE nor its Affiliated Interests shall have priority over the other in obtaining services under this Master Service Agreement.

10. **Limitation of Authority**

The parties agree that no party shall assume nor create any obligation on behalf of the other party other than such as are specifically provided for herein. Each party reserves to itself the right to make commitments for loans, financing, mortgages, and other commitments necessary and proper for its corporate purposes.

11. **Inspection and Reporting**

All relevant books, records, and other data in possession of either of the parties relating to the operations under the administration of this Master Service Agreement shall at all times, during normal business hours, be made available in Portland, Oregon to any regulatory agency having jurisdiction when engaged in the performance of its lawful functions.

12. **Regulatory Jurisdiction**

It is recognized by the parties that PGE is a public utility subject to regulation and control by various state and federal governmental regulatory agencies. The provisions of this Master Service Agreement shall be construed in aid of and not in derogation of the lawful control and regulatory power of any such agency.

13. **Damages**

IN NO EVENT SHALL A PARTY BE LIABLE TO ANOTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS MASTER SERVICE AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM THE PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE.

14. **Governing Law**

This Master Service Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon.

15. **Waiver**

Any of the terms and conditions of this Master Service Agreement may be waived at any time and from time to time by the party entitled to the benefit thereof; but a waiver in one instance shall not be deemed to construe a waiver in any other instance. A failure to enforce any provision of this Master Service Agreement shall not operate as a waiver of such provision or of any other provision hereof. Notwithstanding any of the foregoing, Sections 4 and 5 of this MSA may not be waived without approval of the Commission.

16. **Assignment**

This Master Service Agreement shall be binding upon the parties and their representatives but shall not be subject to assignment.

17. **Termination**

PGE reserves the right at any time upon thirty (30) days' notice to its affiliates to terminate this Master Service Agreement in whole or part. PGE, or any affiliate, reserves the right at any time upon 30 days' notice to the other to terminate such affiliate's addendum to this Master Service Agreement. PGE shall notify the Commission at least 15 days prior to such termination.

18. **Integrated Agreement**

This Master Service Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements between such parties, except for the January 1, 1993 PGE/WTCNW Service Agreement as amended. This Master Service Agreement may be executed by the parties in separate counterparts, each of which when executed and delivered shall be an original, but which together shall constitute but one and the same agreement.

Date as of _____.

(Name)

(Signature)

PORTLAND GENERAL ELECTRIC COMPANY

Exhibit A

List of PGE Affiliated Interests

The following is a comprehensive list of Affiliated Interests with which PGE intends to transact business. Each of these companies will provide services to and/or receive services from PGE in accordance with the Master Service Agreement or the Addenda thereto:

<u>Addendum</u>	<u>Affiliated Interests</u>	<u>Status</u>
1	World Trade Center Northwest Corporation (WTCNW)	Active
2	Salmon Springs Hospitality Group, Inc. (Salmon Springs)	Inactive
3	Portland General Transport Corp.	Dissolved
4	121 SW Salmon Corp. (121 Salmon)	Active
5	Integrated Utility Solutions, Inc. (IUS)	Dissolved
6	Portland General Resource Development, Inc. (PGRD)	Dissolved
7	PGE Foundation	Active
8	Portland Renewable Resource Company (PRR)	Active

Exhibit B

Allocation Methods

No costs are currently being allocated from Affiliated Interests to PGE. The allocation of PGE indirect costs to Affiliated Interests is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report, the most recent version of which is attached as part of this Exhibit B.

Addendum 1

World Trade Center Northwest Corporation (WTCNW is currently not providing any services to PGE.)

- A. **PGE/WTCNW Services**
(Attached to this addendum. Included as part of the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI 248; Approved by Commission Order No. 06-250.)

- B. **PGE/WTCNW Service Agreement**
(Filed, OPUC Docket UI 126; approved by Order No. 94-1954)

- C. **PGE/WTC Sublease Agreement**
(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI 248; Approved by Commission Order No. 06-250.)

World Trade Center Northwest Corporation

World Trade Center Northwest Corporation (WTCNW) agrees to become a party to the Master Service Agreement dated _____, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of _____

by

World Trade Center Northwest Corporation

by

Portland General Electric Company

Addendum 2

Salmon Springs Hospitality Group, Inc.

A. PGE/Salmon Springs Services

(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI 248; Approved by Commission Order No. 06-250.)

B. PGE/Salmon Springs Agreement for Catering Services

(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI 248; Approved by Commission Order No. 06-250.) Sublease 1st Amendment executed May 1, 2003.

Salmon Springs Hospitality Group, Inc.

Salmon Springs Hospitality Group, Inc. (Salmon Springs) agrees to become a party to the Master Service Agreement dated _____, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof. Salmon Springs Hospitality Group, Inc. agrees to offer PGE the goods and services listed in Table A at the prices listed subject to the terms and conditions in the Master Service Agreement.

TABLE A

Description	Price Paid by PGE
1. <u>Catering Services</u> . Salmon Springs Hospitality Group, Inc. will provide PGE with catering services	Discount to market price. All Salmon Springs profit will be credit to PGE utility accounts.

Date as of _____

by

Salmon Springs Hospitality Group, Inc.

by

Portland General Electric Company

Addendum 3

Portland General Transport Corp.

(PGT was dissolved, effective as of December 27, 2006)

A. PGE/PGT Services

(No services between PGE and PGT)

B. PGE release (and potential repurchase) of interstate pipeline capacity to PGT

(Filed February 2, 1999; UI 175, UM 814, UP 156; Approved by the OPUC, Order No. 99-543)

Addendum 4

121 SW Salmon Street Corp.

A. PGE/121 Salmon Services

(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI 248; Approved by Commission Order No. 06-250.)

B. PGE/121 Salmon lease of World Trade Center

(Amended sublease application filed with the OPUC on 12-19-97, UI 169; approved by OPUC Order No. 98-193. Lease application filed on 6-6-18, UI 405; approved by OPUC Order No. 18-434.

121 SW Salmon Street Corp.

121 SW Salmon Street Corp. agrees to become a party to the Master Service Agreement dated _____, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of _____

by

121 SW Salmon Street Corp.

by

Portland General Electric Company

Addendum 5

Integrated Utility Solutions, Inc.

(IUS was dissolved, effective as of December 27, 2006)

A. PGE/IUS

(No services between PGE and IUS)

B. PGE purchase of computer hardware from IUS

(Filed with the OPUC 4-7-03, Waiver pursuant to OAR 860-027-0043 granted 4-9-03)

Addendum 6

Portland General Resource Development, Inc.

(PGRD was dissolved, effective as of October 5, 2007)

A. PGE/PGRD

(No services between PGE and PGRD.)

Addendum 7

PGE Foundation

A. PGE/PGE Foundation Services

(Attached to this addendum. Included as part of the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI 248; Approved by Commission Order No. 06-250.)

PGE Foundation

PGE Foundation agrees to become a party to the Master Service Agreement dated _____, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of _____

by

PGE Foundation

by

Portland General Electric Company

Addendum 8

Portland Renewable Resource Company, LLC

A. PGE/PRR

(Attached to this addendum. Included as part of the Master Service Agreement)

Portland Renewable Resource Company, LLC

Portland Renewable Resource Company agrees to become a party to the Master Service Agreement dated _____, 2021 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of _____

by

Portland Renewable Resource Company, LLC

by

Portland General Electric Company