



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

November 14, 2008

Email/US Mail

Vikie Bailey-Goggins
Administrator
550 Capitol Street, N.E., Ste 215
Salem, OR 97301-2551

Re: UM _____ PGE's Notice of Rate Schedule Filing to Amortize in Rates Colstrip Tax and Royalty Payment and, in the alternative, Application for Deferral of Colstrip Tax and Royalty Payment

Ms. Bailey-Goggins:

Enclosed for filing is the original and one copy of PGE's Notice and Application of **Rate Schedule Filing to Amortize in Rates Colstrip Tax and Royalty Payment and, in the alternative, Application for Deferral** of the Colstrip Tax and Royalty Payment. We have provided notification of this application to the UE-197 service lists.

PGE waives paper service of documents in this proceeding and has E-filed a copy on this date.

If you have any questions or require further information, please call me at 503-464-7580 or Bonnie Gariety at 503-464-7470. Please direct all formal correspondence and requests to the following email address: pge.opuc.filings@pgn.com

Sincerely,

Randall J. Dahlgren
Director, Regulatory Policy and Affairs

RJD:smg

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Order
Approving the Deferral Colstrip Tax and
Royalty Payment

**Notice of Rate Schedule Filing to Amortize
in Rates Colstrip Tax and Royalty
Payment and, in the alternative,
Application for Deferral of Colstrip Tax
and Royalty Payment**

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company ("PGE") hereby provides notice of its Rate Schedule Filing to amortize in rates the Colstrip Royalty Tax and Royalty payment and, in the alternative, requests authorization to defer for later rate-making treatment the Colstrip Royalty Tax and Royalty payment. In support of this Notice and Application, PGE states:

1. PGE is a public utility in the state of Oregon and its rates, services and accounting practices are subject to the regulation of the Commission.
2. This Notice and Application is filed pursuant to ORS 757.259, which permits the inclusion in rates of amounts lawfully imposed retroactively by order of another governmental agency and allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.
3. PGE is filing on this same day a rate schedule to amortize the Colstrip Royalty Tax and Royalty payment. ORS 757.259(1) authorizes the Commission to include such costs in rates without requiring Commission approval for deferred accounting treatment and without imposing other limitations that apply to amounts deferred under subsection 2 of ORS 757.259. In the alternative, PGE requests deferred accounting treatment of Colstrip Royalty Tax and Royalty payment under ORS 757.259(2). In Section I of this Notice and

Application, PGE provides the information required for deferred accounting applications under ORS 757.259(2) and OAR 860-027-0300.

4. Communications regarding this Notice and Application should be addressed to:

Patrick G. Hager
Portland General Electric
121 SW Salmon Street
Portland, Oregon 97204
E-mail: pge.opuc.filings@pgn.com

Doug Tingey
Portland General Electric
121 SW Salmon Street
Portland, Oregon 97204
E-mail: Doug.Tingey@pgn.com

PGE waives paper service in this proceeding. In addition to the names and addresses above, the following are to receive notices and communications via the e-mail service list:

Patrick G. Hager, Manager, Regulatory Affairs
E-mail: Patrick.Hager@pgn.com

Bonnie S. Gariety, Analyst, Regulatory Affairs
E-mail: Bonnie.Gariety@pgn.com

**I. INFORMATION REQUIRED FOR DEFERRED ACCOUNTING UNDER
OAR 860-027-0300(3)**

The following is provided pursuant to OAR 860-027-0300(3).

A. Background

Western Energy Company (WECO) supplies coal from the Rosebud Mine in Montana under a Coal Supply Agreement and a Coal Transportation Agreement with owners of Colstrip Units 3 and 4 coal plant (Colstrip), in which PGE has a 20% ownership interest. In 2002 and 2003, WECO received two orders from the Office of Minerals Revenue Management of the U.S. Department of the Interior (USDI) which asserted underpayment of royalties and taxes by WECO related to transportation of coal from the mine to Colstrip during the period October 1991 through December 2001. In late September 2006, WECO received an additional order from the Office of Minerals Revenue Management to report and pay additional royalties for the period January 2002 through December

2004. WECO appealed the 2002 and 2003 orders and filed a Complaint for Declaratory and Injunctive Relief with the U.S. District Court for the District of Columbia challenging the decision of the Interior Board of Land Appeals to deny the appeal. In May 2005, WECO received a "Preliminary Assessment Notice" from the Montana Department of Revenue (MDOR), asserting claims similar to those of the USDI.

WECO claimed that the Colstrip owners were obligated to pay the entire amount of these royalties and taxes. The Colstrip owners disputed that claim. In October 2008, PGE and the other owners of Colstrip agreed with WECO to pay a portion of the taxes and royalties that WECO is required to pay to the MDOR and the USDI for both past and future periods. On October 23, 2008, WECO entered into an agreement with MDOR that settles all claims for years prior to 2008 and establishes a method for calculating taxes and royalties for subsequent periods. WECO and the USDI have agreed to a settlement framework that is contingent upon preparation and execution of a final settlement agreement. As a result of the agreements, PGE's liability is significantly less than the amounts originally claimed. The actions of PGE and the other owners resulted in significant savings to our customers.

In this Notice and Application, PGE is providing notice of its concurrent rate schedule filing to amortize the Colstrip Tax and Royalty Payment for the period prior to 2007. For the period 1991-2007, we estimate that PGE will make a total payment of \$2.3 million. In Docket No. UE 201, the 2007 Power Cost Adjustment Mechanism (PCAM), we included a forecast of the 2007 Colstrip Taxes and Royalties. Accordingly, this Notice and Application concern only Colstrip Tax and Royalty payments to be made for the period prior to 2007. We estimate the amount to be recovered will be about \$2.2 million.

We will not be seeking recovery, and do not seek to defer, any amount related to 2008. Rather, we expect any such amounts to be considered as part of PGE's 2008 PCAM proceeding.

B. Reasons for Amortization or, in the alternative, Deferral

PGE has identified potential power costs associated with royalties and taxes related to coal transportation for the Colstrip generating plant. PGE has filed concurrently herewith a rate schedule to amortize in rates the Colstrip tax and royalty payment costs pursuant to ORS 757.259(1)(a)(A), which states a rate or rate schedule may reflect “amounts lawfully imposed retroactively by order of another governmental agency.” In the alternative, deferred accounting treatment is appropriate under ORS 757.259(2). Granting deferred accounting will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

C. Proposed Accounting

If a deferred account is authorized, PGE proposes to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 501, Fuel. In the absence of a deferred accounting order from the Commission, PGE would record the costs to FERC account 501, Fuel.

D. Estimate of Amounts

PGE estimates the amount to be recovered will be approximately \$2.2 million for the period prior to 2007. PGE believes this amount should be recoverable directly pursuant to ORS 757.259(1) without the need for deferred accounting treatment or Commission approval of deferred accounting. However, if deferred accounting is deemed required, PGE expects that approximately \$2.2 million will be deferred.

E. Notice

A copy of the notice of application for deferred accounting treatment and a list of persons served with the notice are attached to the Application as Attachment A.

II. Conclusion

For the reasons stated above, PGE hereby provides notice of its rate schedule filing to amortize

in rates the Colstrip Royalty Tax and Royalty payment and, in the alternative, requests permission to defer Colstrip tax and royalty payments to be made from the date of this Notice and Application for the period prior to 2007 as described herein from the date of this Notice and Application.

DATED this 14th day of November, 2008.



Randall J. Dahlgren
Portland General Electric Company
121 SW Salmon Street, 1WTC0702
Portland, OR 97204
Telephone: 503-464-7021
Fax: 503-464-7651
E-Mail: randy.dahlgren@pgn.com

Attachment A

Notice of Application for Deferred Accounting of the Colstrip Tax and Royalty
Payment

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM _____**

In the Matter of the Application of Portland
General Electric Company for an Order
Approving the Deferral of the Colstrip Tax and
Royalty Payment

**Notice of Rate Schedule Filing and
Application for Deferral of Colstrip Tax
and Royalty Payment**

On November 14, 2008, Portland General Electric Company (“PGE”) filed a **Notice of Rate Schedule Filing to Amortize in Rates Colstrip Tax and Royalty Payment and, in the alternative, Application for Deferral of Colstrip Tax and Royalty Payment** with the Oregon Public Utility Commission (the “Commission”) for recovery of Colstrip tax and royalty payments for the period prior to 2007.

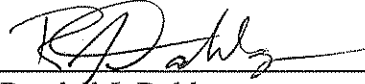
Approval for deferred accounting treatment will not authorize a change in PGE’s rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Persons who wish to obtain a copy of PGE’s notice and application should contact the following:

PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street, 1WTC-0702
Portland, OR 97204
(503) 464-7857 (telephone)
(503) 464-7651 (fax)
pge.opuc.filings@pgn.com

Any person who wishes to submit written comments to the Commission on PGE's notice and application must do so no later than December 15, 2008.

Dated: November 14, 2008



Randall J. Dahlgren
Portland General Electric Company
121 SW Salmon Street, 1WTC0702
Portland, OR 97204
Telephone: 503-464-7021
Fax: 503-464-7651
E-Mail: randy.dahlgren@pge.com

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **NOTICE OF APPLICATION FOR DEFERRAL OF COLSTRIP TAX AND ROYALTY PAYMENTS** to be served by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket Nos. UE 197.

Dated at Portland, Oregon, this November 14, 2008.



Randall J. Dahlgren
Director, Regulatory Policy & Affairs

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eDockets

Docket Summary

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Docket No: UE 197 **Docket Name:** PORTLAND GENERAL ELECTRIC

[Print Sum](#)

Subject Company: PORTLAND GENERAL ELECTRIC

See also: UE 198

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Request for a general rate revision. Filed by James J. Piro. Initial Utility Filing for electronic version.)

Filing Date: 2/27/2008

Advice No: 08-02

Effective: 1/1/2009

Expiration: 12/31/2008

Status: **SUSPENDED**

Case Manager: JUDY JOHNSON

Phone: (503) 378-6636

Email: judy.johnson@state.or.us

Law Judge: ALLAN ARLOW

Phone: (503) 378-3511

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[General information about Tariff](#)

ACTIONS		SERVICE LIST (Parties)	SCHEDULE
W=Waive Paper service	C=Confidential HC=Highly Confidential	Sort by Last Name	Sort by Company Name
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	MICHAEL L KURTZ (C)	36 E 7TH ST STE 1510 CINCINNATI OH 45202-4454 mkurtz@bkllawfirm.com	
	CITIZEN'S UTILITY BOARD OF OREGON		
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INTERGOVERNMENTAL RELATIONS
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