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February 7, 2011

Via FedEx and Electronic

Public Utility Commission
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of OREGON PUBLIC UTILITY STAFF Requesting the
Commission direct PORTLAND GENERAL ELECTRIC COMPANY to file
tariffs establishing automatic adjustment clauses under the terms of SB 408.
Docket No. UE 178(4)

Dear Filing Center:

Some of the documents enclosed are Highly Confidential and should be taken to the Salem Safe Room upon receipt.

Enclosed please find an original and six (6) copies of the Written Objections of the Industrial Customers of Northwest Utilities to the Stipulation, and an original and six (6) copies of the Highly Confidential Direct Testimony and Exhibits for Ellen Blumenthal on behalf of the Industrial Customers of Northwest Utilities ("ICNU") in the above-referenced docket. Please also find one (1) Highly Confidential CD containing the electronic copies of the testimony and exhibits, and three (3) Highly Confidential CDs containing the workpapers of Ellen Blumenthal.

Pursuant to the Protective Order, Order No. 06-033, in this docket and clarification by the OPUC, service copies of the Highly Confidential testimony and exhibits are being provided to the Portland Safe Room only. All parties wishing to view these versions must visit the Portland Safe Room.

Please return one file-stamped copy of the Highly Confidential Direct Testimony in the self-addressed, stamped envelope provided.

Thank you for your assistance, and please do not hesitate to contact our office if you have any questions.

Sincerely yours,

/s/ Sarah A. Kohler
Sarah A. Kohler

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Written Objections and Direct Testimony of Ellen Blumenthal on behalf of the Industrial Customers of Northwest Utilities upon the parties, on the service list, by causing the same to be deposited in the U.S. Mail, postage-prepaid, where paper service has not been waived.

Dated at Portland, Oregon, this 7th day of February, 2011.

/s/ Sarah A. Kohler
Sarah A. Kohler

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**PUBLIC UTILITY COMMISSION OF OREGON
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Adjustment); 2) The recognition of approximately \$61 million of income tax refunds related to a 2009 net operating loss; 3) A true-up of deferred taxes to reflect the impact of an Oregon corporate income tax rate change under all methods used for calculating ‘taxes paid’; and 4) An adjustment to properly reflect the consolidated method iterative effect.” Joint Testimony in Support of Stipulation (“Joint Testimony”)/100, Bird-Feighner-Tinker/2.

The Stipulation results in a refund of about \$9 million, including interest. Id. at Bird-Feighner-Tinker/3. In addition, the Stipulation provides that the 2009 tax refunds will not be included in future tax reports. Stipulation at 2. This essentially resolves all issues related to the treatment of the \$61 million in tax refunds that PGE received or will receive related to the 2009 operating loss. ICNU did not join in any part of the Stipulation and opposes the Stipulation.

Also of importance in this case is the Stipulation filed in Re PacifiCorp, Docket No. UE 177(4) (Jan. 14, 2011). That Stipulation requires a rule change to OAR § 860-022-0041(4)(d) so that the deferred tax floor does not apply to taxes paid determined under the standalone method. The Commission will initiate a temporary rulemaking proceeding to amend the rule, and subsequently initiate a permanent rulemaking proceeding. Ms. Blumenthal’s recommendation in this case provides an alternative and more appropriate method for addressing the problem that the rule change proposed in UE 177(4) is designed to address.

II. ICNU’S OBJECTIONS TO THE SETTLEMENT STIPULATION

ICNU objects to the Stipulation, because it requires ratepayers to reimburse the Company more than the amount of taxes that PGE actually paid, even on a normalized basis. ICNU proposes an alternate approach, as detailed in the testimony of Ms. Blumenthal, which

PAGE 2 –WRITTEN OBJECTIONS OF ICNU

calculates taxes paid using PGE's filed tax return and straight line depreciation. Under this approach, PGE paid no taxes in 2009 on a normalized basis. Therefore, the full amount of taxes collected, or \$60.5 million, should be refunded to customers. In addition, the Stipulation also fails to provide customers with the full value of the tax refunds received by PGE for the \$61 million in tax refunds related to its 2009 net operating loss.

III. CONCLUSION

For the foregoing reasons, ICNU objects to the Stipulation. ICNU respectfully requests that the Commission reject any stipulation which allows for PGE to collect a surcharge when it effectively did not pay any taxes, even on a normalized basis. The rule changes should being considered pursuant to the Stipulation in UE 177(4) should take the facts in this proceeding into consideration and be rewritten to prevent this result.

Dated this 7th day of February, 2011.

Respectfully submitted,

/s/ S. Bradley Van Cleve

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