



Portland General Electric Company
Legal Department
121 SW Salmon Street • Portland, Oregon 97204
(503) 464-8926 • Facsimile (503) 464-2200

Douglas C. Tingey
Assistant General Counsel

July 17, 2007

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem, OR 97308-2148

Re: UE 188 – Biglow Canyon Wind Farm

Attention Filing Center:

Enclosed for filing in UE 188 are an original and five copies of:

- **JOINT BRIEF IN SUPPORT OF STIPULATION; and**
- **STIPULATION (copies only).**

The Joint Brief, by Portland General Electric, Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, and the Industrial Customers of Northwest Utilities, supports the Stipulation between these same parties. When the Stipulation was filed on June 20, 2007, we inadvertently omitted an attachment to the Stipulation. A copy of the Stipulation (with Attachment A) is also enclosed. Please replace the previously filed copy with the attached Stipulation.

The Stipulation and Joint Brief have been entered into by all parties that participated in the settlement conference in this matter. The parties to the Stipulation and Joint Brief are also the only parties that have filed testimony in this docket.

These documents are being filed electronically. Hard copies will be sent via postal mail.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "DCT", is written over a faint, larger version of the signature.

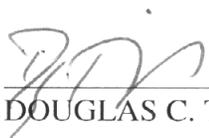
DOUGLAS C. TINGEY

DCT:jbf
Enclosures
cc: Service List-UE 188

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Joint Brief in Support of Stipulation and Stipulation (with Attachment A)** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service.

Dated at Portland, Oregon, this 17th day of July 2007.



DOUGLAS C. TINGEY

SERVICE LIST

UE 188

LOWREY R. BROWN
CITIZENS' UTILITY BOARD OF
OREGON
lowrey@oregoncub.org
(Paper service waived)

JASON EISDORFER
CITIZENS' UTILITY BOARD OF
OREGON
jason@oregoncub.org
(Paper service waived)

ROBERT JENKS
CITIZENS' UTILITY BOARD OF
OREGON
bob@oregoncub.org
(Paper service waived)

DAVISON VAN CLEVE, P.C.
MATTHEW W. PERKINS
333 S.W. TAYLOR - STE 400
PORTLAND, OR 97204
mail@dvclaw.com

STEPHANIE S. ANDRUS
ASSISTANT ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUSINESS
SECTION
1162 COURT ST. N.E.
SALEM, OR 97301-4096
stephanie.andrus@state.or.us

JUDY JOHNSON
PUBLIC UTILITY COMMISSION
P.O. BOX 2148
SALEM, OR 97204
judy.johnson@state.or.us

RFI CONSULTING INC
RANDALL J. FALKENBERG PMB 362
8343 ROSWELL RD
SANDY SPRINGS, GA 30350
consultrfi@aol.com

KEN LEWIS
2980 N.W. MONTE VISTA TERRACE
PORTLAND, OR 97210
K105pdx@comcast.net

DANIEL MEEK
ATTORNEY AT LAW
10949 S.W. 4TH AVENUE
PORTLAND, OR 97219
dan@meek.net

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 188

In the Matter of)
)
PORTLAND GENERAL ELECTRIC) **JOINT EXPLANATORY BRIEF**
COMPANY 2006 Resource Valuation)
Mechanism)

This brief (“Explanatory Brief”) explains the Stipulation (“Stipulation”) dated June 20, 2007, 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”) (collectively, the “Parties”). All of the parties that participated in the settlement discussions in this proceeding have signed the Stipulation. The Parties submit this Explanatory Brief pursuant to OAR 860-014-0085(4). Capitalized terms used in this Explanatory Brief have the meanings ascribed to them in this Explanatory Brief or in the Stipulation.

Introduction

This docket is a general rate case, but the parties agreed to limit their examination to the costs and benefits of PGE’s Biglow Canyon 1 wind generation project under construction in Sherman County, Oregon. After discovery and settlement discussions, the Parties entered into the Stipulation resolving all but one issue. Subsequent to the Stipulation, the only issue to be addressed by the parties in their testimony in this matter is whether there should be a means to address yearly changes in the projected fixed costs of Biglow Canyon 1 until PGE’s next general rate case, and if the Commission decides there should be an annual adjustment, how that

adjustment should be made. Stipulation ¶ 1. Staff, CUB and ICNU have filed their testimony on June 20, 2007, regarding this issue. PGE will file responsive testimony.

The Stipulation contains agreement regarding nine specific issues. Stipulation ¶ 2. Each issue and resolution is discussed below. The Parties agree that the Stipulation is in the public interest and will produce rates that are fair, just and reasonable. Stipulation ¶ 5. The Stipulation also contains a number of provisions typically contained in stipulations filed with the Commission. Stipulation ¶¶ 3-10.

Discussion

The nine specific agreements are:

1. State income tax rate. A composite tax rate of 5.12% will be used in calculating the revenue requirement under Schedule 120. This is to recognize a recent guidance by the Oregon Department of Revenue in apportionment methodology that has the effect of reducing PGE's overall tax rate.
2. Property tax exemption. PGE is negotiating with Sherman County and the State of Oregon for a partial property tax exemption for Biglow Canyon 1 that would reduce 2008 property taxes below the amount included in PGE's initial filing. Pursuant to the Stipulation, the tax expense used to establish rates under Schedule 120 will reflect any reduction in property taxes for the 2008 test year, net of any costs that are incurred as a result of commitments that PGE has made to Sherman County as part of the settlement. The agreement, then, is to reflect in rates actual test year costs, as those may be reduced by a tax exemption agreement.
3. ETO payment. At the time of the Stipulation was signed PGE was negotiating

funding from the Energy Trust of Oregon to cover the difference between the cost of Biglow Canyon 1's output and expected market prices. It is expected that any such funding will be in the form of a one-time payment from the ETO. The Stipulation provides that PGE's rate base associated with Biglow Canyon 1 will be reduced by the effect of any such payment, whether that payment is made to PGE or a contractor. The reduction in rate base for Biglow Canyon 1 will reduce the revenue requirement for Biglow Canyon 1. PGE agrees to reflect in rates test year costs associated with the reduced revenue requirement associated with the payment received from the ETO.

4. Integration costs and modeling. The parties agreed, for purposes of settlement only, that \$5.50 per MWh should be used as an assumed level of integration costs of Biglow Canyon 1. The parties had differing opinions on what the correct level of integration costs would be, and this number was a compromise of the parties' positions. The parties also agreed that if it can be done accurately, determining integration costs through modeling of PGE's power costs would be preferable. To that end, the parties agree that notwithstanding the proscription on updates contained in Schedule 125 (the Annual Power Cost Update Tariff), PGE may propose revisions to its Monet model to incorporate the integration of Biglow Canyon 1, and other wind projects in the 2009 Annual Power Cost Update Tariff proceeding. Parties are free to take any position on a PGE proposal in that proceeding.
5. 2009 and beyond. The Stipulation provides that for purposes of deriving energy rates for 2009 and beyond, PGE will move the net variable power cost

(“NVPC”) impact of Biglow Canyon 1 from Schedule 120 and incorporate the NVPC impact in the Annual Update Tariff proceeding or general rate case.

This provision was to clarify how NVPC will be dealt with in 2009 and beyond – and provides that they will be included in the Annual Update Tariff proceeding, or rate case if one is filed.

6. Book life. There are two parts to this provision. The first is regarding certain transmission upgrades to the BPA system that were paid for by PGE totaling approximately \$13million. PGE will be repaid the cost of these upgrades over an approximately 5 year period through transmission credits. The Stipulation provides that the book life of those transmission upgrades will be five years to correspond with the time during which BPA will repay PGE the cost of the upgrades. This matches the depreciation with the expected repayment period. The second part of this provision covers the Biglow Canyon 1 generating assets. PGE’s initial filing used a 25-year life for depreciation of the generating assets. Some parties thought a longer life should be used. In the Stipulation the parties agree, for purposes of settlement, that a 27-year life will be used in this case and until revised in a future PGE depreciation study docket.
7. Provision for delay. The Stipulation contains specific provisions regarding the ratemaking treatment for any delay in completion of Biglow Canyon 1 beyond January 1, 2008. These provisions shall be consistent with the Commission’s orders regarding the Port Westward in docket UE 180/181/184. In addition, a provision regarding notice to the parties and the timing of discovery has been

added.

8. Dispatch update. Pursuant to the Stipulation, PGE will update the dispatch benefits of Biglow Canyon 1 consistent with, and on the same schedule as, updates in PGE's 2008 Annual Power Cost Update Tariff docket, UE 192. This will insure that the two dockets are consistent both in timing and expected dispatch benefits of Biglow Canyon 1.
9. Special Condition 4. Special Condition 4 to Schedule 120 addresses how power produced by Biglow Canyon 1 prior to January 1, 2008, the date rates are requested to go into effect, will be valued for purposes of the Annual Power Cost Variance Mechanism, Schedule 126. Specifically it provides that actual NVPC will be increased by the value of any Biglow Canyon 1 energy, with the energy valued at the monthly average of the daily Dow Jones Mid-C on- and off-peak index. Actual NVPC will also be reduced by the integration costs of Biglow Canyon 1, using the \$5.50 per MWh figure agreed to in the Stipulation. Finally, actual NVPC will be increased by any BPA credits for wheeling associated with Biglow Canyon 1 energy. These provisions provide that costs and benefits associated with Biglow Canyon 1 are not incorporated into the Annual Power Cost Variance Mechanism prior to the time Biglow Canyon 1 is included in rates.

In addition to these nine issues, the Stipulation also memorializes that during this docket additional information has become available and PGE has agreed to the following changes to the costs initially filed: a) Increase expected National Energy Policy Act credits from \$19/MWh to \$20/MWh, b) include certain BPA wheeling credits in costs and revenues, and c) revise the total

quantity of forecast output for Biglow, and its expected shape across the year. The Stipulation contained an estimate of the effect of these changes and the other changes discussed above, resulting in a reduction in PGE's request to about \$9.4 million.

Many of the Stipulation provisions simply provide that test year expenses be adjusted to reflect expected, but as yet unknown, changes in test year expenses. They provide for the proper reflection of costs in rates. Other provisions, such as the integration costs and book life provisions represent a reasonable settlement of differing opinions on the issues in question. As is common in settlements, each party likely used different reasoning, different analyses of likely outcomes, and different valuations of the various issues to arrive at a settlement amount. Since the Stipulation represents the settlement of a disputed claim, each Party independently relied on its own reasoning and analysis in agreeing to the settlement. Nevertheless, all Parties believe the Stipulation will result in rates that are fair, just and reasonable.

The Stipulated provisions represent a reasonable compromise of positions, and results in rates that are supported by the record. The Commission has approved stipulations in the past that it determined fell within a "range of reasonableness" for resolution of the issues. Re US West, OPUC Docket No. UM 773, Order No. 96-284 at 31 (Nov. 1, 1996). The Stipulation in this Docket provides a result that falls within this range of reasonableness and, as such, would produce rates that are just and reasonable. Under these circumstances, it is in the public interest for the Commission to approve the Stipulation.

Conclusion

In the Stipulation, Staff, CUB, ICNU, and PGE, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just and reasonable rates in this proceeding. For the reasons set forth above the Parties request that the Commission approve

the Stipulation.

DATED this day of July, 2007.

PORTLAND GENERAL ELECTRIC
COMPANY

/s/ DOUGLAS C. TINGEY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

/s/ STEPHANIE S. ANDRUS

CITIZENS' UTILITY BOARD OF
OREGON

/s/ LOWREY R. BROWN

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

/s/ MATTHEW W. PERKINS

the Stipulation.

DATED this 13th day of July, 2007.

PORTLAND GENERAL ELECTRIC
COMPANY



CITIZENS' UTILITY BOARD OF
OREGON

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

the Stipulation.

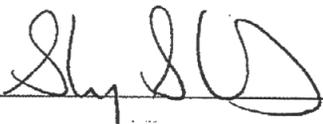
DATED this day of July, 2007.

PORTLAND GENERAL ELECTRIC
COMPANY

CITIZENS' UTILITY BOARD OF
OREGON

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES



A handwritten signature in black ink, appearing to be 'Shy SLD', is written over a horizontal line.

PORTLAND GENERAL ELECTRIC
COMPANY

CITIZENS' UTILITY BOARD OF
OREGON

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

A handwritten signature in black ink, appearing to be 'R. W. J.', is written over a horizontal line.

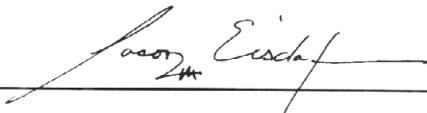
the Stipulation.

DATED this 16th day of July, 2007.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD OF
OREGON



INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES
