SCHEDULE 56
POWER COST ADJUSTMENT MECHANISM

PURPOSE

To recognize in rates part of the difference between actual net power supply expenses incurred for the preceding January through December period and the net power supply expenses recovered through the Combined Rate for that same period.

APPLICABILITY

This schedule is applicable to all electric energy delivered to Customers served under Schedules 1, 5, 7, 9, 15, 19, 24, 40, 41 and 42.

ANNUAL POWER COST ADJUSTMENT (PCA)

Subject to the Earnings Test, the PCA is 90% of the amount that the Oregon Allocated Power Cost Deviation is above or below the Power Supply Expense Deadband.

ANNUAL POWER SUPPLY EXPENSE TRUE-UP BALANCING ACCOUNT (True-Up Balancing Account)

The True-Up Balancing Account is a Company account where the PCA will be added at the end of each 12-month period ending December, along with 50 percent of the annual interest calculated at the Company's authorized cost of capital. Interest will accrue on the True-Up Balancing Account at the Commission-authorized rate for deferred accounts.

EARNINGS TEST

Before any PCA amount is approved for inclusion in the True-Up Balancing Account for subsequent recovery or refund in rates, the Commission will apply an Earnings Test.

If the Company's earnings are within plus or minus 100 basis points of its authorized ROE, as measured from an Oregon Results of Operations report for the twelve months ended December 31 of the previous year, excluding amounts that would be added to the True-Up Balancing Account, no PCA amounts will be added to the True-Up Balancing Account for that year.

If the Company's current earnings are more than 100 basis points below its authorized ROE (Oregon basis), the Company will be allowed to add the PCA amount to the True-Up Balancing Account, up to an earnings level that is 100 basis points less than its authorized ROE.

If the Company's earnings are more than 100 basis points above its authorized ROE (Oregon basis), it will be required to include the PCA amount in the True-Up Balancing Account as a credit, down to the authorized ROE plus 100 basis points threshold.

DEFINITIONS

Actual Net Power Supply Expenses (Actual NPSE) is determined on a system-wide basis and includes the amounts booked to FERC Accounts 501 (Fuel-Coal), 547 (Fuel-Gas), 555 (Purchased Power), and 447 (Sales for Resale).

Actual Sales is the amount of energy required to meet customer demand on a system-wide basis, as measured at the customers' meters.

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SCHEDULE 56
POWER COST ADJUSTMENT MECHANISM
(Continued)

DEFINITIONS (Continued)

Actual Unit Cost for net power supply expenses incurred is the total Actual NPSE incurred divided by Actual Sales.

Combined Rate is the sum of the October Update Rate and the March Forecast Rate Adjustment, as determined by the Annual Power Cost Update, Schedule 55.

Normalized Sales is a forecast of the amount of energy required to meet customer demand on a system-wide basis, as measured at the customers' meters, determined in accordance with the methodology employed in the Company's most recently acknowledged Integrated Resource Plan ("IRP").

Oregon Allocated Power Cost Deviation is the annual deviation between the Combined Rate and the Actual Unit Cost times the Actual Sales, multiplied by the current Oregon allocation factor.

Power Supply Expense Deadband (Deadband) is based upon the Company's authorized ROE from its last general rate case and using the rate base measured on an Oregon basis from the most recent Oregon Results of Operations report (Oregon basis), is applied to the Oregon Allocated Power Cost Deviation as follows:

1. A positive deviation (Actual NPSE greater than those recovered through the Combined Rate) constitutes an excess power supply expense. This expense is first reduced by a deadband that is the dollar equivalent of 250 basis points of ROE (Oregon basis).

2. A negative deviation (Actual NPSE less than those recovered through the Combined Rate) is a power supply expense savings. This savings is reduced by a deadband that is the dollar equivalent of 125 basis points of ROE (Oregon basis).

ANNUAL POWER SUPPLY EXPENSE TRUE-UP

The Annual Power Supply Expense True-Up is a unit cost rate calculated as the excess power supply expense or savings in the True-Up Balancing Account, divided by the forecast of Normalized Sales for the upcoming April through March period, divided by the Oregon allocation factor.

TIME OF FILING

In February of each year, beginning in February of 2009, the Company will file the Annual Power Supply Expense True-Up which will implement the Power Cost Adjustment Mechanism. This filing will calculate the deviation between actual net power supply expenses incurred for the preceding January through December period and the net power supply expenses recovered through the Combined Rate for that same period. For the purposes of the true-up, power costs are first calculated on a total system basis and then allocated to Oregon based on the allocation factor.

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SCHEDULE 56
POWER COST ADJUSTMENT MECHANISM
(Continued)

TRUE-UP RATES

The True-Up Rates (Annual Power Supply Expense True-Up) will be determined on an equal cents per kWh basis. The True-Up Rate for Residential Service includes amortization of intervenor funding deferrals. The True-Up Rates are:

Schedule	Description	¢ per kWh
1	Residential Service	0.0848
5	Residential Service Time-of-Use Pilot Plan	0.0848
7	Small General Service	0.0537
9	Large General Service – Secondary	0.0537
9	Large General Service – Primary	0.0537
9	Large General Service – Transmission	0.0537
15	Dusk to Dawn Lighting	0.0537
19	Large Power Service – Secondary	0.0537
19	Large Power Service – Primary	0.0537
19	Large Power Service – Transmission	0.0537
24	Irrigation Service – Secondary	0.0537
24	Irrigation Service – Transmission	0.0537
40	Unmetered General Service	0.0537
41	Municipal Street Lighting	0.0537
42	Traffic control Lighting	0.0537

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