Portland General Electric Company
Legal Department
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Douglas C. Tingey
Associate General Counsel

July 10, 2013

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 262 – PGE's Request for a General Rate Revision

Attention Filing Center:

Enclosed for filing in the above-referenced docket are an original and five copies of the:

- **Partial Stipulation (including Exhibits A and B); and**
- **Joint Testimony in Support of Stipulation (UE 262/ Wittekind – Jenks – Chriss – Townsend - Liddle/100).**

The original Partial Stipulation signature pages for Staff, Industrial Customers of Northwest Utilities, The Kroger Company, and Wal-Mart Stores, Inc. will be provided upon receipt by our office.

These documents are also being filed by electronic mail with the Filing Center and electronically served upon the UE 262 service list.

Thank you in advance for your assistance.

Sincerely,

Douglas C. Tingey
Associate General Counsel

DCT:qal
Enclosures
cc: Service List-UE 262

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UE 262

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	**PARTIAL STIPULATION**
	)	
Request for a General Rate Revision	)	

This Partial Stipulation ("Stipulation") is between Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff'), the Citizens' Utility Board of Oregon ("CUB"), the City of Portland ("COP"), Fred Meyer Stores and Quality Food Centers, Division of Kroger Co. ("Kroger"), the Industrial Customers of Northwest Utilities ("ICNU"), and Wal-Mart Stores, Inc. (collectively, the "Stipulating Parties"). Noble Americas Energy Solutions LLC ("Noble") does not oppose this Partial Stipulation. PacifiCorp intervened to monitor this docket, did not participate in settlement negotiations, and takes no position on this stipulation.

On February 15, 2013, PGE filed this general rate case. On March 4, 2013, a prehearing conference was held. A procedural schedule was established to resolve issues relating to the general rate revision. A separate docket was established, Docket No. UE 266, for consideration of issues related to PGE's Net Variable Power Costs and Annual Power Cost Update. PGE has requested that the revised rates pursuant to this general rate case become effective January 1, 2014. PGE has responded to over 750 data requests in this docket from Staff and other parties.

Prior to the Settlement Conference scheduled for May 29, 2013, Staff provided to the other parties in this docket its settlement proposal that included numerous proposed adjustments to PGE's filed case. Other parties also identified issues. On May 29, 2013, the Stipulating Parties participated in a Settlement Conference regarding this docket. All parties were invited to participate. Subsequent settlement conferences were held on June 3, June 6, and June 7, 2013. As a result of those discussions the Stipulating Parties have reached a compromise settlement of all but four issues in this docket, as described in detail below.

TERMS OF PARTIAL STIPULATION

1. This Partial Stipulation resolves all revenue requirement issues in this docket except PGE's test year pension-related costs, and all other issues except proposed changes to PGE's direct access program, aspects of PGE's decoupling mechanism, and three streetlight related issues raised by the COP: ownership and maintenance responsibility of associated circuits, certain luminaire charges, and pole maintenance charges.

2. The Stipulating Parties acknowledge that according to this settlement PGE's cost of debt will be updated later this year to incorporate actual 2013 debt costs no later than November 1, 2013. Accordingly, the revenue requirement impact of this settlement may change. Using PGE's most current estimate of the cost of long-term debt, the estimated reduction to PGE's revenue requirement as a result of this Partial Stipulation is approximately $42.1 million. The Stipulating Parties attach Exhibit A, which provides an illustrative, agreed-upon calculation of PGE's revenue requirement, reflecting the following agreements and adjustments stipulated to by the Parties:

REVENUE REQUIREMENT ISSUES

a. <u>S-0 Rate of Return and S-8 Stock Issuance Fees</u>. The Stipulating Parties agree to an authorized return on equity of 9.75% and a capital structure of 50% equity and

50% long-term debt for test year 2014. The Stipulating Parties also agree to update PGE's cost of long-term debt no later than November 1, 2013 based on actual 2013 debt issuances, and that the weighted average cost of debt to be issued in 2014 should be 4.15% on projected issuances totaling $365 million for establishing rates in this docket. Additionally, the Stipulating Parties agree that PGE's proposed 2014 expenses will be reduced by $1.282 million and rate base reduced by $11.843 million associated with common equity issuance fees. PGE will continue to amortize the remaining balance of prior equity issuance fees during the test year.

b. <u>S-1 Other Revenue and S-6 Other Revenue - Transmission</u>. PGE's proposed 2014 Other Revenues will be increased by $0.749 million.

c. <u>S-2 Uncollectibles</u>. An uncollectible rate of 0.50% will be used in this case.

d. <u>S-3 Working Cash</u>. A working cash factor of 3.70% will be used in deriving revenue requirement. This includes the estimated 2014 benefit of the fee-free bankcard program discussed below in S-14.

e. <u>S-4 Customer Service</u>. Test year expense will be decreased by $0.022 million.

f. <u>S-5 Research and Development</u>. PGE's test year research and development expenses will be decreased by 25% or $0.50 million from the amount in PGE's initial filing.

g. <u>S-7 Customer Engagement Transformation (CET)</u>. PGE will treat CET O&M expenses of $8.0 million in 2014 as a regulatory asset and agrees to amortize the amount over five years. As a result CET O&M expenses in 2014 will decrease by

$6.40 million and an associated regulatory asset of $7.200 million will be added to rate base.

h. S-9 Information Technology (IT) O&M expense. PGE will treat $8.684 million of development IT O&M expense as a regulatory asset and agrees to amortize the amount over five years. As a result, IT O&M expenses in 2014 will decrease by $6.947 million and an associated regulatory asset of $7.816 million will be created in rate base.

i. S-10 Removal of UM 1645. PGE's initial filing in this docket included expense and rate base for the accounting order it had requested in Docket No. UM 1645. On April 23, 2013, the Commission issued Order No. 13-150, denying PGE's application for an accounting order. PGE will remove the subject projected test year expenses in this case. This will reduce test year expense by $0.238 million and rate base by $5.279 million.

j. S-11 Rate Base Reduction. Costs incurred in 2013 and projected through 2014 associated with the following four capital projects will be removed from test year rate base: 2020 Vision Infrastructure, CET, FERC License capital additions, and BART SO2 Controls. 2014 LED Streetlight Project capital additions will also be reduced by 25%. Rate base associated with Shute-Sewell easements will also be removed. These adjustments result in a decrease in 2014 rate base of $62.563 million.

k. S-12.1 Wages and Salaries, S-12.2 FTE Adjustment, S-12.3 Incentives, S-12.4 Overtime, S-12.5 Payroll Taxes, S-12.6 Depreciation O&M, and S-13.3 and 13.4 Medical and Dental Benefits. For settlement purposes, PGE will remove officer incentives, adjust forecasted increases in wages and salaries, and remove an additional $1.0 million of wages and salaries. Incentives, overtime, payroll taxes, depreciation O&M, and medical and dental benefits will all be reduced consistent with the wages and salaries reductions. These adjustments result in a decrease to O&M and A&G expense of $3.288 million and rate base of $1.169 million.

l. S-13.1 D&O Insurance, S-13.2 Various A&G Adjustments, and S-13.5 Memberships. Test year expenses for the excess layer of Directors and Officers Insurance will be decreased by 50%. One-half of meals and entertainment expenses, and certain membership expenses will be removed from test year expenses. These adjustments result in a decrease to O&M expense of $1.010 million.

m. S-14 Fee Free Bank Cards. The Stipulating Parties agree that PGE will launch its fee-free bank card program by July 1, 2014 and will report to the OPUC and other Stipulating Parties on adoption rate, relative use of debit cards to credit cards, and the characteristics of customers using this program. The PGE report will be circulated to the Stipulating Parties no later than November 1, 2014. Test year expenses for the bank card program will be reduced by $1.098 million.

n. S-15 Environmental Services. There will be no adjustment to PGE's filed case.

o. OI-6 Storm Accrual. PGE will continue to accrue $2 million per year for Level III storm damage. PGE withdraws its request for this account to be treated as a balancing account.

p. Colstrip O&M. For settlement purposes, Colstrip O&M expenses will be reduced by $0.900 million.

RATE SPREAD AND RATE DESIGN ISSUES

The Stipulating Parties also agree to the rate spread and rate design with the corrections and adjustments summarized below. The resulting estimated impact on Customers' prices, including the impact of the stipulated revenue requirement issues summarized above, are set forth in Exhibit B.

q. Customer Service marginal cost study. PGE will incorporate certain corrections identified by Staff into the marginal customer cost study. PGE will also incorporate the lower CET O&M amount stipulated to above into the customer marginal cost study.

r. Franchise Fees. Franchise fees will be included in an informational schedule within PGE's tariff that details the franchise fee prices. In individual tariff schedules within the tariff and for billing purposes franchise fees will continue to be embedded within the system usage and distribution charges as they are currently. PGE will include Schedule 129 revenues from direct access customers for purposes of calculating the franchise fee differential between cost-of-service and direct access customers. There will not be a franchise fee line item on customer bills.

s. Generation marginal cost study. In its marginal cost study, PGE will use the results of a proxy peaker analysis that incorporates SCCT and CCCT, but does not include wind in the energy calculation. This results in a capacity/energy split of approximately 26/74 instead of the 35/65 split initially proposed.

t. Transmission allocation. Unbundled transmission revenue requirement will be allocated on the basis of a 65% capacity, 35% energy split.

u. Large customer cost allocation. For customers with average loads over 100 MW, a load following/integration credit of $1.13 per megawatt hour will apply to billings for the 100 MW. This credit will be allocated to other cost-of-service customers. The credit will apply regardless of whether the customers take service under Schedule 89, Schedule 489 or Schedule 589.

v. Rate Increase percentage ceiling. Independent of the marginal cost study results, no customer schedule shall receive an average rate increase greater than 17 percent.

w. Schedule 129 revenues. Beginning with the direct access enrollment windows occurring in 2013, for service beginning in 2014, Schedule 129 Transition Cost Adjustments will be allocated to all rate schedules on an equal cents per kWh basis. Schedule 129 Transition Cost Adjustments for enrollment windows occurring prior to the date of this Stipulation will continue to be allocated to Schedules 85 and 89 and their direct access equivalents as provided in the currently effective Schedule 129. These adjustments will apply to the system usage and distribution charges where appropriate.

x. Schedule 83 demand charges. PGE clarifies that its proposal in this docket is that Schedule 83 demand charges apply during on-peak periods only. The Stipulating Parties agree that this is appropriate.

y. Schedule 83 time of day energy differential. The on/off peak price differential for Schedule 83 will be set at 10 mills/kWh.

z. LED group lamp replacement credit. Subject to the terms below, PGE will provide a credit to customers that convert from Schedule 91 Option "B" luminaires to Option "A" or "C" LED luminaires. This credit will be given to customers that provide notice to PGE that they will be converting Option "B" luminaires to Option "A" or "Option "C" luminaires by December 31, 2016. This credit and will be 50 cents per fixture per month beginning on the date the customer provides notice to PGE and continue to the date of the conversion.

aa. LRRA Application. For customers that have chosen long-term direct access PGE's Schedule 123 Nonresidential Lost Revenue Recovery Adjustment prices will be calculated to apply to distribution services only.

bb. Schedule 89 Basic Charge. PGE agrees to study the impact of the Schedule 89 Basic Charge on low load factor customers at the lower end of the 4 MW threshold and communicate the results of such study in its next general rate case filing.

LOAD FORECAST ISSUES

cc. DSM Shaping. PGE agrees to implement a change to the load forecast to reflect energy efficiency implementation being weighted toward the end of the year.[1]

dd. Workshops. The Stipulating Parties agree to hold workshops, as necessary, to address inclusion of embedded DSM in the load forecast, price elasticity, and use of certain variables within the load forecast model. PGE and Staff will work together in coordinating the schedule for these workshops.

3. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as appropriate and reasonable resolutions of all issues in this docket except those identified in paragraph 1 above.

[1] This change in the load forecast may also affect the revenue requirement impact of this settlement.

4. The Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable and will meet the standard in ORS 756.040.

5. The Parties agree that this Stipulation represents a compromise in the positions of the parties. Without the written consent of all parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

6. The Stipulating Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Party reserves its right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission order. Nothing in this paragraph provides any Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

7. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

8. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 9th day of July, 2013.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

CITY OF PORTLAND

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Benjamin Walters Chief Deputy
7/8/13 CITY OF PORTLAND

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S. Bradley Van Cleve

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WAL-MART STORES, INC.

Portland General Electric Company
2014 Revenue Requirement
Dollars in $000s

	At Current Rates	GRC Change for RROE	Proposed 2014	NVPC Updates	Stipulation Results NVPC Stipulation	Stipulation Results Non-NVPC Stipulation	Total Results	Total Increase incl. Sch. 145	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1 Sales to Consumers	1,682,745	102,529	1,785,274	2,103	(4,674)	(42,105)	1,740,599	60,115	3.6%
2 Sales for Resale	-		-	-	-	-	-		
3 Other Revenues	21,396		21,396	-	-	749	22,145		
4 Total Operating Revenues	1,704,141	102,529	1,806,670	2,103	(4,674)	(41,356)	1,762,743		
5 Net Variable Power Costs	639,194		639,194	2,025	(4,500)	-	636,719		
6 Production O&M (excludes Trojan)	121,923		121,923	-	-	(900)	121,023		
7 Trojan O&M	60		60	-	-	-	60		
8 Transmission O&M	12,150		12,150	-	-	-	12,150		
9 Distribution O&M	93,824		93,824	-	-	-	93,824		
10 Customer & MBC O&M	72,063		72,063	-	-	(7,498)	64,565		
11 Uncollectibles Expense	8,750	533	9,283	11	(23)	(153)	8,703		
12 OPUC Fees	5,259	320	5,579	7	(15)	(96)	5,439		
13 A&G, Ins/Bene., & Gen. Plant	151,178		151,178	-	-	(11,546)	139,632		
14 Total Operating & Maintenance	1,104,402	854	1,105,255	2,042	(4,538)	(20,194)	1,082,116		
15 Depreciation	242,918		242,918	-	-	(39)	242,879		
16 Amortization	32,109		32,109	-	-	(1,520)	30,589		
17 Property Tax	50,380		50,380	-	-	-	50,380		
18 Payroll Tax	13,797		13,797	-	-	(182)	13,615		
19 Other Taxes	1,840		1,840	-	-	-	1,840		
20 Franchise Fees	42,088	2,564	44,653	53	(117)	(768)	43,535		
21 Utility Income Tax	30,424	39,484	69,908	3	(6)	(4,892)	65,013		
22 Total Operating Expenses & Taxes	1,517,958	42,902	1,560,860	2,097	(4,660)	(27,594)	1,529,968		
23 **Utility Operating Income**	186,182	59,627	245,809	6	(13)	(13,761)	232,776		
			245,809				232,776		
24 **Average Rate Base**									
25 Avg. Gross Plant	7,254,346		7,254,346	-	-	(63,732)	7,190,614		
26 Avg. Accum. Deprec. / Amort	(3,729,761)		(3,729,761)	-	-	-	(3,729,761)		
27 Avg. Accum. Def Tax	(506,558)		(506,558)	-	-	-	(506,558)		
28 Avg. Accum. Def ITC	4		4	-	-	-	4		
29 **Avg. Net Utility Plant**	3,018,031	-	3,018,031	-	-	(63,732)	2,954,299		
30 Misc. Deferred Debits	46,932		46,932	-	-	3,173	50,105		
31 Operating Materials & Fuel	73,324		73,324	-	-	-	73,324		
32 Misc. Deferred Credits	(74,255)		(74,255)	-	-	(5,279)	(79,534)		
33 Working Cash	60,415	1,707	62,122	78	(172)	(1,021)	56,609		
34 **Average Rate Base**	3,124,446	1,707	3,126,153	78	(172)	(66,859)	3,054,802		

35 **Rate of Return**	5.959%		7.863%				7.620%
36 **Implied Return on Equity**	6.192%		10.000%				9.750%
37 Effective Cost of Debt	5.726%	5.726%	5.726%	5.490%	5.490%	5.490%	5.490%
38 Effective Cost of Preferred	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
39 Debt Share of Cap Structure	50.000%	50.000%	50.000%	50.000%	50.000%	50.000%	50.000%
40 Preferred Share of Cap Structure	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
41 Weighted Cost of Debt	2.863%	2.863%	2.863%	2.745%	2.745%	2.745%	2.745%
42 Weighted Cost of Preferred	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
43 Equity Share of Cap Structure	50.000%	50.000%	50.000%	50.000%	50.000%	50.000%	50.000%
44 State Tax Rate	7.474%	7.474%	7.474%	7.474%	7.474%	7.474%	7.474%
45 Federal Tax Rate	35.000%	35.000%	35.000%	35.000%	35.000%	35.000%	35.000%
46 Composite Tax Rate	39.858%	39.858%	39.858%	39.858%	39.858%	39.858%	39.858%
47 Bad Debt Rate	0.520%	0.520%	0.520%	0.500%	0.500%	0.500%	0.500%
48 Franchise Fee Rate	2.501%	2.501%	2.501%	2.501%	2.501%	2.501%	2.501%
49 Working Cash Factor	3.980%	3.980%	3.980%	3.700%	3.700%	3.700%	3.700%
50 Gross-Up Factor	1.663	1.663	1.663	1.663	1.663	1.663	1.663
51 ROE Target	10.000%	10.000%	10.000%	9.750%	9.750%	9.750%	9.750%
52 Grossed-Up COC	11.177%	11.177%	11.177%	10.851%	10.851%	10.851%	10.851%
53 OPUC Fee Rate	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%
Utility Income Taxes							
54 Book Revenues	1,704,141	102,529	1,806,670	2,103	(4,674)	(41,356)	1,762,743
55 Book Expenses	1,487,534	3,418	1,490,952	2,095	(4,655)	(23,437)	1,464,954
56 Interest Deduction	89,453	49	89,502	2	(5)	(1,835)	83,854
57 Production Deduction	-		-			-	-
58 Permanent Ms	(17,560)		(17,560)			-	(17,560)
59 Deferred Ms	21,363		21,363			-	21,363
60 Taxable Income	123,351	99,062	222,413	6	(14)	(16,083)	210,132
61 Current State Tax	9,219	7,403	16,622	0	(1)	(1,202)	15,704
62 State Tax Credits	(3,017)		(3,017)			-	(3,017)
63 Net State Taxes	6,201	7,403	13,605	0	(1)	(1,202)	12,687
64 Federal Taxable Income	117,150	91,659	208,809	6	(13)	(14,881)	197,445
							-
65 Current Federal Tax	41,003	32,081	73,083	2	(5)	(5,208)	69,106
66 Federal Tax Credits	(25,294)		(25,294)			-	(25,294)
67 ITC Amort	-	-	-			-	-
68 Deferred Taxes	8,515		8,515	-	-	-	8,515
69 Total Income Tax Expense	30,424	39,484	69,908	3	(6)	(6,410)	65,013
70 Regulated Net Income	96,730		156,308				148,922
71 Check Regulated NI			156,308				148,922

TABLE 1
PORTLAND GENERAL ELECTRIC
ESTIMATED EFFECT ON CONSUMERS' TOTAL ELECTRIC BILLS
2014

CATEGORY	RATE SCHEDULE	CUSTOMERS (Forecast SDEC12E14)	MWH SALES	TOTAL ELECTRIC BILLS CURRENT w/ Sch. 122a, 125, 145	TOTAL ELECTRIC BILLS PROPOSED w/ Sch. 122a, 125, 145	Change AMOUNT	Change PCT.
Residential	7	734,050	7,542,460	$833,489,226	$876,329,316	$42,840,091	5.1%
Employee Discount				($902,971)	($949,870)	($46,900)	
Subtotal				$832,586,255	$875,379,446	$42,793,191	5.1%
Outdoor Area Lighting	15	0	23,112	$4,165,014	$4,770,301	$605,288	14.5%
General Service <30 kW	32	88,797	1,580,824	$161,910,848	$170,119,432	$8,208,584	5.1%
Opt. Time-of-Day G.S. >30 kW	38	300	30,898	$3,713,920	$3,873,863	$159,943	4.3%
Irrig. & Drain. Pump. < 30 kW	47	3,203	21,482	$2,904,287	$3,398,224	$493,938	17.0%
Irrig. & Drain. Pump. > 30 kW	49	1,296	68,174	$6,471,840	$7,572,189	$1,100,349	17.0%
General Service 31-200 kW	83	11,129	2,796,682	$233,790,883	$244,464,364	$10,673,481	4.6%
General Service 201-4,000 kW							
Secondary	85-S	1,258	2,478,641	$187,571,498	$192,186,311	$4,614,812	2.5%
Primary	85-P	192	686,547	$48,130,495	$49,484,499	$1,354,004	2.8%
Schedule 89 > 4 MW							
Secondary	89-S	2	18,273	$1,432,410	$1,520,258	$87,848	6.1%
Primary	89-P	23	2,191,332	$135,205,728	$132,923,313	($2,282,415)	-1.7%
Subtransmission	89-T	5	204,501	$12,568,482	$12,640,130	$71,648	0.6%
Street & Highway Lighting	91/95	205	102,931	$17,468,466	$17,983,012	$514,545	2.9%
Traffic Signals	92	17	4,439	$337,738	$335,075	($2,663)	-0.8%
COS TOTALS		840,477	17,750,295	$1,648,257,862	$1,716,650,416	$68,392,553	4.1%
Direct Access Service 201-4,000 kW							
Secondary	485-S	158	434,943	$12,489,353	$9,764,960	($2,724,393)	
Primary	485-P	42	227,560	$7,013,157	$5,241,261	($1,771,896)	
Direct Access Service > 4 MW							
Primary	489-P	8	491,720	$8,880,647	$6,638,061	($2,242,587)	
Subtransmission	489-T	3	329,357	$5,249,769	$3,763,146	($1,486,623)	
DIRECT ACCESS TOTALS		211	1,483,580	$33,632,926	$25,407,428	($8,225,498)	
COS AND DA CYCLE TOTALS		840,688	19,233,875	$1,681,890,788	$1,742,057,843	$60,167,055	3.6%

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE 262

PORTLAND GENERAL ELECTRIC COMPANY

Joint Testimony in Support of Stipulation

Linnea Wittekind
Bob Jenks
Steve W. Chriss
Neal Townsend
Chris Liddle

July 9, 2013

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I. Introduction

Q. Please state your names and positions.

A. My name is Linnea Wittekind. I am a Senior Financial Analyst in the Energy Division at the Oregon Public Utility Commission (OPUC). My qualifications appear in OPUC Exhibit 101.

My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board of Oregon (CUB). My qualifications appear in CUB Exhibit 101.

My name is Steve W. Chriss. I am Senior Manager, Energy Regulatory Analysis, for Wal-Mart Stores, Inc. (Wal-Mart). My qualifications appear in Wal-Mart Exhibit 101.

My name is Neal Townsend. I am Director for Energy Strategies, LLC and am testifying on behalf of Kroger.

My name is Chris Liddle. I am a Manager for Portland General Electric (PGE). My qualifications appear in PGE Exhibit 300.

Q. What is the purpose of your testimony?

A. Our purpose is to describe the Partial Stipulation (the Stipulation) reached among the OPUC Staff (Staff); CUB; Industrial Customers of Northwest Utilities (ICNU); the City of Portland (COP); Fred Meyer Stores and Quality Food Centers, Divisions of The Kroger Co. (Kroger); Wal-Mart; and PGE (the Stipulating Parties) regarding the majority of revenue requirement, rate spread, rate design and load forecasting issues in this docket (UE 262). While there are other parties to this case, we are not aware of any who oppose this Partial Stipulation. For convenience, we use the issue numbers assigned in the May 16, 2013 Staff Issues List for revenue requirement issues when possible.

Q. What is the basis for the Stipulation?

A. PGE filed this general rate case on February 15, 2013. During the next three to four months, Staff, CUB, ICNU, and other parties submitted over 750 data requests regarding PGE's filing. On May 16, Staff provided an initial analysis of numerous issues and the Stipulating Parties participated in Settlement Conferences on May 29, June 3 and June 6, during which other parties also identified issues. Settlement discussions were continued by PGE, Staff and CUB on June 7 for the remaining revenue requirement issues. During those discussions, PGE accepted a number of Staff proposals and offered modifications regarding other proposals. The Stipulating Parties also accepted a number of PGE's suggestions, which represented compromises that parties deemed reasonable for settlement purposes.

Q. Please summarize the agreement contained in the revenue requirement portion of the Partial Stipulation.

A. The Partial Stipulation represents the settlement of all revenue requirement issues except pension-related costs (OI-0). A copy of the stipulation is provided as Exhibit 101. Table 1 summarizes the settled issues with a short description.

Table 1
(Stipulated Issues with approximate adjustments)

Issue No.	Category	Description
S-0 & S-8	Rate of Return & Equity Issuance Fees	Return on equity: 9.75% Cost of debt: 5.49% Capital structure: 50% equity / 50% debt Reduce O&M expense by $1.282 million Reduce rate base by $11.843 million
S-1 & S-6	Other Revenue	Increase Other Revenue by $0.749 million
S-2 & S-3	Revenue-sensitive Factors	Uncollectibles: 0.50% Working cash: 3.70%
S-4	Customer Service	Reduce O&M expense by $0.022 million
S-5	Research & Development	Reduce O&M expense by $0.500 million
S-7 & S-9	Customer Service & IT O&M	Reduce O&M expense by $6.400 million Increase rate base by $7.200 million Reduce O&M expense by $6.947 million Increase rate base by $7.816 million
S-10	Removal of UM 1645	Reduce O&M expense by $0.238 million Reduce rate base by $5.279 million
S-11	Rate Base	Reduce rate base by $62.563 million

S-12.1-12.6, S-13.3-13.4	Compensation	Reduce O&M and A&G expenses by $3.288 million Reduce rate base by $1.169 million
S-13.1-13.2, 13.5	Various A&G	Reduce O&M expense by $1.010 million
S-14	Fee-free Bankcard Program	Reduce O&M expense by $1.098 million
S-15	Environmental Services	No adjustment to PGE's filing
Other	Colstrip O&M	Reduce O&M expense by $0.900 million

Q. Are there any other issues resolved, or partially resolved by the revenue requirement portion of the Partial Stipulation?

A. Yes. The Stipulating Parties agree that the Commission should approve a major maintenance accrual for Port Westward and include steam turbine and generator inspection costs as discussed in PGE Exhibit 300. The revenue requirement impact of this accrual is already reflected in PGE's filing. In addition, PGE agrees to withdraw its request for its Level III storm damage accrual to be treated as a balancing account and will continue to accrue $2 million per year for storm damage.

Q. Does this Partial Stipulation indicate that all parties agree on the calculations or bases employed by other parties to determine each adjustment?

A. No. Although the Stipulating Parties may not necessarily agree on the calculations, assumptions, or bases used to determine each adjustment, we believe the amounts represent a reasonable financial settlement of the respective issues in this docket. The adjustments are in the public interest and will result in rates that are fair, just, and reasonable.

Q. Does the Partial Stipulation resolve all revenue requirement issues in this proceeding?

A. All issues but one are resolved by the Partial Stipulation. Only pension-related costs remain an outstanding issue. As noted in Section II, PGE will update its 2013 cost of debt by November 1, 2013, based on its actual issuances, which may also result in changes to overall revenue requirement. Additionally, PGE will be updating its load forecast and power costs during the remainder of 2013 consistent with the Partial Stipulation, prior practice and as noted in PGE's testimony.

Q. Please summarize the rate spread, rate design, and load forecasting portion of the Partial Stipulation.

A. This Partial Stipulation represents the settlement of all rate spread, rate design, and load forecasting issues among the Stipulating Parties, except those related to direct access, decoupling, ownership and three streetlight related issues raised by the COP: ownership and maintenance responsibility of associated circuits, certain luminaire charges, and pole maintenance charges. The Stipulating Parties agree that, except as noted below, it is appropriate to spread costs to the individual rate schedules using PGE's filed marginal cost study and the rate design principles contained in PGE's filing in this docket. The exceptions include:

1) Customer service marginal cost study.
2) The creation of an informational franchise fee schedule.
3) Generation marginal cost study.
4) Transmission cost allocation.
5) Large customer rider.
6) Rate Increase Percentage Ceiling
7) Allocation of Schedule 129 revenues and customer impact offset.
8) Schedule 83 demand charges.
9) Schedule 83 time of use energy price differential.
10) LED group lamp replacement credit.
11) Long-term direct access LRRA allocation.

Exhibit B to the Partial Stipulation provides an update of the estimated impact on Customers' prices. The Stipulating Parties also agree that, with the exception of DSM shape, PGE will use its filed load forecast subject to updates during the remainder of 2013 consistent with prior practice and as noted in PGE's testimony. In addition, Stipulating Parties have agreed to meet in a workshop format coordinated by PGE and Staff to discuss other load forecast issues in preparation for PGE's next general rate case. We discuss the agreements reached by the Stipulating Parties on the rate spread / rate design issues and DSM shape in Section III.

II. Resolved Revenue Requirement Issues

Q. Please describe the Partial Stipulation regarding rate of return (S-0) and equity issuance fees (S-8).

A. The Stipulating Parties agree to an authorized return on equity of 9.75% and a capital structure of 50% equity and 50% debt. The Stipulating Parties also agree to update PGE's 2013 cost of debt based on PGE's actual debt issuances by November 1, 2013. Further, the Stipulating Parties agree that PGE's cost of debt for the test year will include a weighted average cost of debt of 4.15% on projected debt issuances in the test year that will total $365 million. At the time of this filing, PGE's cost of debt for the test year is projected to be 5.49%.

For purposes of settlement, the Stipulating Parties agree that PGE's test year expenses will be reduced by $1.282 million and average rate base will be reduced by $11.843 million related to common equity issuance fees. These adjustments remove issuance fees associated with a projected equity issuance in 2013. PGE will continue to amortize the remaining balance of prior equity issuance fees during the test year.

Q. Please describe the Partial Stipulation regarding Other Revenues (S-1 & S-6).

A. Staff proposed adjustments based on historical actuals. After reviewing and then revising forecasted amounts, the Stipulating Parties agree that PGE would increase its Other Revenues by $0.749 million, as a reasonable outcome for settlement purposes.

Q. Please describe the Partial Stipulation regarding Uncollectibles (S-2) and Working Cash (S-3).

A. PGE's initial filing included a 0.52% uncollectibles rate, which was later updated with 2012 actuals to 0.51%. The Stipulating Parties agree that for settlement purposes a 0.50% uncollectibles rate will be used for the test year.

At Staff's prompting, PGE corrected the calculation of its working cash factor reducing it from 3.98% as initially filed to 3.72%. The Stipulating Parties agree to a working cash factor of 3.70% for the test year, which includes the estimated test year benefit of the Fee-Free Bankcard Program discussed below.

Q. Please describe the Partial Stipulation regarding Customer Service (S-4).

A. The Stipulating Parties agree to reduce PGE's test year expense by $0.022 million, removing 50% of meals and entertainment expense.

Q. Please describe the Partial Stipulation regarding Research and Development (S-5).

A. PGE's initial filing included $2.0 million associated with research and development. For settlement purposes, the Stipulating Parties agree to reduce this expense by 25% or $0.500 million.

Q. Please describe the Partial Stipulation regarding Information Technology O&M (S-9) and Customer Engagement Transformation (S-7).

A. In its evaluation of PGE's initial filing, Staff identified IT O&M costs as development costs and proposed treating these costs as a regulatory asset with a 5-year amortization. During settlement discussions PGE demonstrated that only a subset of its IT costs are development costs[1] and reiterated that IT development represents an ongoing activity and that this level of development cost is expected to be recurring. For settlement purposes, the Stipulating Parties agree to treat $8.684 million of IT development O&M expense as a regulatory asset and to amortize this amount over five years. As a result, IT O&M expense will decrease by

[1] This detail was later provided in PGE's Supplemental Response to OPUC Data Request No. 313.

$6.947 million and an associated regulatory asset of $7.816 million will be included in rate base.

A similar approach was proposed by Staff for the treatment of test year Customer Engagement Transformation (CET) costs. The Stipulating Parties agree to treat $8.000 million of CET O&M expense as a regulatory asset and to amortize this amount over five years. As a result, CET O&M expense will decrease by $6.400 million and an associated regulatory asset of $7.200 million will be included in rate base.

Q. Please describe the Partial Stipulation regarding UM 1645 related costs (S-10).

A. PGE's initial filing in this docket included expense and rate base associated with a request for accounting order submitted in Docket No. UM 1645. On April 23, 2013, the Commission issued Order No. 13-150 denying PGE's application for an accounting order. To reflect that order, the Stipulating Parties agree to reduce test year expense by $0.238 million and test year rate base by $5.279 million.

Q. Please describe the Partial Stipulation regarding rate base (S-11).

A. PGE's initial filing included an average rate base of approximately $3.126 billion. Staff raised concerns with five specific projects regarding their being used and useful by the start of the test year, calling into question amounts closing prior to the test year. The projects are 2020 Vision Infrastructure, BART SO_2 Controls, CET, FERC License capital additions, and LED Streetlight Project capital additions. While PGE does not agree with Staff's approach, PGE agreed it represented an acceptable outcome for settlement purposes. Additionally, PGE agreed to remove rate base associated with Shute-Sewell easements. The Stipulating Parties agree that test year rate base will be reduced by $62.563 million. This reflects removal of 2020 Vision Infrastructure, BART SO_2 Controls, CET, and FERC License capital additions for both 2013 and projected 2014 amounts. It also reflects removal of 25% of 2014 LED Streetlight Capital additions.

Q. Please describe the Partial Stipulation regarding compensation-related issues.

A. The Stipulating Parties agree to a reduction to PGE's test year O&M and A&G expenses of $3.106 million, payroll taxes by $0.182 million, and rate base by $1.169 million. This adjustment has several components, which we summarize as follows:

- S-12.1 Wages & Salaries — $1.299 million expense reduction; $0.515 million rate base reduction
- S-12.2 FTE Adjustment — $0.747 million expense reduction; $0.296 million rate base reduction
- S-12.3 Incentives — $0.752 million expense reduction; $0.298 million rate base reduction
- S-12.4 Overtime — $0.152 million expense reduction; $0.060 million rate base reduction
- S-12.5 Payroll Taxes — $0.182 million expense reduction
- S-12.6 Depreciation O&M — $0.039 million expense reduction
- S-13.3-4 Medical & Dental Benefits — $0.117 million expense reduction

For S-12.1 Staff based its analysis on wages and salaries using 2011 actuals and escalating using a consumer price index. Additionally, for S-12.2 Staff proposed a reduction in FTEs and for S-12.3 proposed removing Officer incentives from PGE's test year forecast. After reviewing its forecasted costs and associated FTE count, PGE agreed with much of Staff's proposal, subject to certain corrections and/or revisions to Staff's calculation on certain items. The Stipulating Parties agree to removal of officer incentives, an adjusted forecast of wages and salaries, and removal of $1.0 million associated with additional FTE reductions. These reductions, coupled with the impact of wages and salaries reductions on incentives, overtime, payroll taxes, depreciation O&M and medical and dental benefits are reflected in the totals above.

Q. Please describe the Partial Stipulation on the issues of Director and Officer (D&O) insurance, various A&G adjustments, and memberships.

A. The Stipulating Parties agree to reduce test year D&O expense by $0.599 million, which is 50% of the excess layer of D&O insurance. The Stipulating Parties also agree to reduce test year O&M expense by $0.211 million, reflecting a 50% reduction for meals and entertainment expense and $0.200 million for certain membership expenses. These adjustments result in a decrease to O&M expense of $1.010 million.

Q. Please describe the Partial Stipulation on the Fee-Free Bankcard Program.

A. The Stipulating Parties agree that PGE will launch its Fee-Free Bankcard Program by July 1, 2014 and will report to the OPUC and other Stipulating Parties on participation rates and characteristics of customers using this program. Pursuant to this agreement, test year O&M expense is reduced by $1.098 million.

Q. Does Staff have additional comments on this issue?

A. Yes. Staff supports PGE's proposal to implement a Fee-Free Bankcard Program for residential customers. Although this is not a widely-used practice in the investor-owned utility industry, Staff is supportive because it is assumed that the settlement does not disproportionately benefit any single type of residential customer (e.g., low income or high income), and will provide ratepayers with benefits through improved cash flow and reduced bad debt write-off that can be captured in rates to help keep the overall net cost of the program at a modest level.

Staff is also supportive because PGE agrees to use best efforts to collect data that shows the general location and pattern of use by customers, and whether the payment method is primarily debit or credit card and to make the results available to parties in future rate proceedings. This information will seek to ensure that the assumption identified above is reasonably accurate.

Q. Please describe the Partial Stipulation on Environmental Services.

A. Staff raised concerns with potential hydraulic monitoring and double-counting of costs in the test year. During settlement discussions, PGE provided an update affirming the need for hydraulic monitoring in 2014 and provided documentation showing the split of overall Environmental Services costs between O&M and A&G. This information alleviated Staff's concerns, and as such the Stipulating Parties agree to no adjustment to PGE's initial filing.

Q. Please describe the Partial Stipulation on Colstrip O&M.

A. During settlement discussions ICNU raised concerns about PGE's test year O&M for its Colstrip facility, citing historical variances between budgeted and actual expenses. For settlement purposes, the Stipulating Parties agree to an O&M reduction of $0.900 million for the test year.

III. Resolved Rate Spread, Rate Design and Load Forecast Issues

Q. Please describe the Partial Stipulation regarding the customer service marginal cost study.

A. The Stipulating Parties agree to adjustments to the customer service marginal cost study for various corrections identified by Staff. Stipulating Parties also agree the marginal customer cost study should reflect the lower CET O&M amount in the revenue requirement stipulation.

Q. Please provide additional detail.

The first adjustment to the customer marginal cost study is to allocate $1.499 million of costs associated with direct access operations and specialized billing based on historic participation in direct access.

The second adjustment to the customer marginal cost study is to adjust the $8 million in CET costs to the lower O&M amount of $1.6 million in the revenue requirement stipulation.

Q. Please describe the Partial Stipulation regarding franchise fees.

A. The Stipulating Parties agree to two modifications concerning franchise fees. First, the creation of a new informational schedule within PGE's tariff that details the franchise fee prices. The individual tariff schedules that recover franchise fees via system usage and distribution charges will continue to recover those expenses, as they do currently. There will not be a franchise fee line item on customer bills. The purpose of this informational schedule is to be transparent about how much each rate schedule is contributing toward franchise fees.

Second, the Stipulating Parties agree to include the Schedule 129 revenues from direct access customers for purposes of calculating the franchise fee differential between cost of service and direct access customers. This is appropriate to since the Schedule 129 revenues relate to fixed generation.

Q. Please describe the Partial Stipulation regarding the generation marginal cost study.

A. The Stipulating Parties agree to use the traditional model of a combined cycle combustion turbine and proxy simple cycle combustion turbine to allocate generation. PGE's direct testimony used the average of two models for both capacity and energy, (1) a traditional model, and (2) a model that incorporates PGE's planned wind, base load, and reciprocating engine resources. For the purposes of settlement, only the traditional model will be used. In addition, the Stipulating Parties agree to adjustments noted by Staff to the traditional model relating to escalation factors. The result is a marginal generation capacity cost of $98.57 per kW-year and an energy cost of $50.78 per MWh at the busbar.

Q. Please describe the Partial Stipulation regarding transmission cost allocation.

A. The Stipulating Parties agree to allocate the transmission revenue requirement on the basis of 65% capacity and 35% energy split for purposes of settlement. PGE's direct testimony proposed a capacity-only allocation on a 4-coincident peak (4-CP) basis. The 65% capacity portion of the transmission revenue requirement will be allocated as PGE filed, on a 4-CP basis, but the remaining 35% will be allocated based on energy.

Q. Please describe the Partial Stipulation regarding large customer cost allocation.

A. For customers with average loads over 100 MW, the Stipulating Parties agree to apply a load following/integration credit of $1.13 per megawatt hour for 100 MW each hour. This credit will be reflected in a Rider to Schedules 89, 489 and 589, and the credit will be allocated to other cost of service customers. The credit recognizes the lower load following costs to serve very large, stable loads.

Q. Please describe the Partial Stipulation regarding the allocation of Schedule 129 revenues and the Customer Impact Offset (CIO).

A. The Stipulating Parties agree to allocate the Schedule 129 Transition Adjustment revenues from new enrollment in long-term direct access to all rate schedules on an equal cents per kWh basis. The revenues related to Schedule 129 Transition Adjustments from prior period long-term direct access enrollments will continue to be allocated to schedules 85 and 89 and their direct access equivalents. The adjustments will apply to the system usage and distribution charges as appropriate. PGE's direct testimony proposed to allocate the Schedule 129 Transition Cost Adjustments on an energy basis to only those Schedules eligible for long-term direct access, Schedules 85 and 89 and their direct access equivalent schedules. The adjustments will flow through the CIO logic which will use the same 17% ceiling on price increases as indicated in PGE's direct testimony.

Q. Please describe the Partial Stipulation regarding clarification of the Schedule 83 demand charges.

A. The Stipulating Parties agree that the Schedule 83 demand charges are to apply during on-peak periods only. This is consistent with PGE's other large nonresidential schedules with demand charges.

Q. Please describe the Partial Stipulation regarding the Schedule 83 time of day energy differential.

A. The Stipulating Parties agree to increase the on/off-peak energy price differential in Schedule 83 from 7 mills/kWh to 10 mills/kWh. This is a modest difference that should not have a large bill impact on customers and provides an increased incentive for customers to shift energy into off-peak periods.

Q. Please describe the Partial Stipulation regarding the LED group lamp replacement credit.

A. The Stipulating Parties agree that PGE will provide a credit to customers who convert from Schedule 91 Option B luminaires to Option A or C LED luminaires. The credit will be 50 cents per fixture per month and starts accruing when the customer provides notice to PGE that they will convert to LED luminaires and is due when the light changes from Option B to another option. The customer must choose to convert consistent with the provisions in PGE's Schedules 91 and 95. Notice of the intent to convert must be provided to PGE by December 31, 2016. Customers become ineligible for the credit if they do not convert to Option A or C according to the agreed upon schedule. The credit recognizes that PGE can avoid group relamping of luminaires due to the conversion of luminaires to LED. PGE initially agreed to provide the credit working with municipalities prior to the filing of Schedule 95 in 2012.

Q. Please describe the Partial Stipulation regarding long-term direct access LRRA allocation.

A. The Stipulating Parties agree that, for long-term direct access customers, the LRRA portion of Schedule 123 will be calculated to apply only to distribution and will exclude generation and transmission. This is appropriate because PGE does not provide generation and transmission to long-term direct access customers.

Q. Please describe the Partial Stipulation regarding DSM shape.

A. The Stipulating Parties agree that PGE will implement Staff's suggested DSM shape into the load forecast energy efficiency adjustment. Staff developed this shaping by reviewing the historic pattern of energy efficiency savings as reported by the Energy Trust of Oregon (ETO) in its Annual Reports. In prior forecasts, PGE assumed a constant monthly rate of incremental energy efficiency. PGE and Staff have worked in good faith to develop a test period DSM shape derived in part on the historic pattern of ETO-related DSM implementation. The magnitude of the adjustment to the test year forecast resulting from the change in the DSM shape will depend on the timing of the forecast and updates to the DSM deployment forecast that PGE receives from the ETO. This modeling change will be reflected in PGE's load forecast beginning with its June 2013 update.

Q. Please describe the stipulation regarding studying the Basic Charge in Schedule 89:

A. The Stipulating Parties agree that PGE will study the impact of Schedule 89 Basic Charge on low load factor customers at the lower end of the 4 MW threshold and communicate the results of such study in its next general rate case filing. This is appropriate as low load factor customers on Schedule 89 have a significant increase in basic charge with the revised Schedule 89 now encompassing those large nonresidential customers whose demand has exceeded 4,000kW at least twice in the preceding 13 months or within seven months or less of service has a Demand exceeding 4,000 kW.

Q. What is your recommendation to the Commission regarding these adjustments?

A. The Stipulating Parties recommend and request that the Commission approve these adjustments. Based on careful review of PGE's filing, consideration of PGE's responses to over 750 data requests, and thorough analysis of the issues during three days of settlement conferences, we believe these adjustments represent appropriate and reasonable resolutions of the respective issues in this docket. Rates reflecting these adjustments will be fair, just, and reasonable.

Q. Does this complete your testimony?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **STIPULATION AND JOINT TESTIMONY IN SUPPORT OF STIPULATION,** by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 262.

DATED at Portland, Oregon, this 10th day of July, 2013.

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