



**Portland General Electric Company**

Legal Department

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June 29, 2012

***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 \_\_ - 2011 Annual Power Cost Variance Mechanism**

Attention Filing Center:

Enclosed for filing in the above-captioned docket please find the following:

Original and five copies of testimony of:

- **Patrick G. Hager and Alex Tooman (PGE/100-102, PGE/104)**

Original and three copies of:

- **Work Papers (non-confidential portions only)**

Original and two copies of:

- **Portland General Electric Company's Motion for Protective Order (with Proposed Protective Order)**

Exhibit **PGE/103C** is confidential and will be submitted, along with the confidential work papers, after entry of a Protective Order.

These documents are being filed electronically. Hard copies will be sent via U.S. 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,

Patrick G. Hager, III  
Manager, Regulatory Affairs

PGH:smc

Enclosures

cc: UE 232 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**Motion for Approval of  
Protective Order**

**PORTLAND GENERAL ELECTRIC COMPANY**

**June 29, 2012**

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UE \_\_\_\_\_

In the Matter of Portland General Electric  
Company's Application for Annual  
Adjustment to Schedule 126 Under the Terms  
of the Annual Power Cost Variance  
Mechanism

**MOTION FOR PROTECTIVE ORDER**

Pursuant to ORCP 36(C)(7) and OAR 860-001-0080, Portland General Electric Company ("PGE") requests the issuance of a Protective Order in this proceeding. PGE believes good cause exists for the issuance of such an order to protect confidential market information and confidential business information, plans and strategies. In support of this Motion, PGE states:


1. Along with this motion, PGE has filed its 2011 Annual Power Cost Variance under Tariff Schedule 126. PGE has filed testimony regarding the power cost variance and the operation of the mechanism to the 2011 power cost variance. An exhibit to the testimony and certain work papers that support the testimony filed by PGE in this docket include confidential, sensitive business information, including PGE's timing of and prices for electricity purchases and sales, fuel purchases and other contracts. PGE anticipates that there may be requests for further confidential information during this docket as well. PGE desires to provide the information, but the information is confidential, sensitive business information and of significant commercial value, and its public disclosure could be detrimental to PGE and its customers.

2. The Commission should therefore issue a Protective Order to protect the confidentiality of that material. The requested order, identical to the one that the Commission customarily issues, is attached.

For the reasons stated above, PGE requests that a protective order be issued in this proceeding.

DATED this 29<sup>th</sup> day of June, 2012.

Respectfully submitted,

  
\_\_\_\_\_  
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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE \_\_\_\_\_

In the Matter of Portland General Electric  
Company's Application for Annual  
Adjustment to Schedule 126 Under the  
Terms of the Annual Power Cost Variance  
Mechanism

GENERAL  
PROTECTIVE  
ORDER

DISPOSITION:        MOTION FOR PROTECTIVE ORDER GRANTED

On June 29, 2012, Portland General Electric Company ("PGE") filed a motion for a general protective order with the Public Utility Commission of Oregon (Commission). PGE states that the order is needed to protect confidential customer information and confidential business plans and strategies. Specifically, PGE states that an exhibit to its filed testimony and certain work papers supporting the testimony include confidential, sensitive business information, including PGE's timing of and prices for electricity purchases and sales, fuel purchases and other contracts. PGE adds that the public release of this information could prejudice PGE and its customers. PGE anticipates that there may be requests for further confidential information during this docket as well.

I find that good cause exists to issue a general protective order, which is attached as Appendix A. The order permits the broadest possible discovery consistent with the need to protect confidential information. It shields no specific documents and makes no judgment about whether any particular document contains a trade secret or commercially sensitive information. Rather, the order adopts a process for resolving discovery disputes that include sensitive information.

The order permits any party to designate information as confidential if the party reasonably believes that the information falls within the scope of ORCP 36(C)(7). The confidential designation must be made in good faith and be limited to only those portions of the document that qualify as a protected trade secret or other confidential research, development, or commercial information. Any other party may challenge the designation of information as confidential. The designating party bears the burden of showing that the challenged information is covered by ORCP 36(C)(7).

Confidential information may be disclosed only to a “qualified person” as defined in paragraph 3 of the general protective order. The authors of the confidential material, the Commission, Administrative Law Judges (ALJs), Commission Staff, and counsel of record for a party or persons directly employed by counsel are “qualified persons” and may review confidential information without individually signing the general protective order. Other persons wanting access to confidential information must become qualified under paragraph 10.

To receive confidential information, all parties except Commission Staff must sign the “consent to be bound” in section I of Appendix B. This includes the party that moved for issuance of the general protective order because any party may designate information as confidential under the order. By signing the “consent to be bound,” a party agrees to be bound by the terms of the general protective order and certifies that it has an interest in the proceedings that is not adequately represented by other parties to the proceedings.

All persons given access to confidential information must monitor their own conduct to ensure compliance with the general protective order. Without the written permission of the designating party, no person may use or disclose the information for any purpose other than participating in these proceedings. All qualified persons must take reasonable precautions to keep confidential information secure. Questions regarding whether a particular person is a “qualified person” under the general protective order may be directed to the Administrative Hearings Division at (503) 378-6678.

### ORDER

IT IS ORDERED that the General Protective Order, attached as Appendix A, governs the disclosure of confidential information in these proceedings.

Made, entered, and effective on \_\_\_\_\_.

\_\_\_\_\_  
[Judge’s name]  
Administrative Law Judge

A party may appeal this order to the Commission under OAR 860-001-0420.

**GENERAL PROTECTIVE ORDER**  
DOCKET NO. [    ]

**Scope of this Order:**

1. This order governs the acquisition and use of Confidential Information in these proceedings.

**Definitions:**

2. "Confidential Information" is information that falls within the scope of ORCP 36(C)(7) ("a trade secret or other confidential research, development, or commercial information").

3. A "Qualified Person" is an individual who is:

- a. An author, addressee, or originator of Confidential Information;
- b. A Commissioner, Administrative Law Judge (ALJ), or Commission Staff;
- c. Counsel of record for a party;
- d. A person employed directly by counsel of record; or
- e. A person qualified under paragraph 10, including parties and their employees.

**Designation of Confidential Information:**

4. A party providing Confidential Information must inform other parties that the material has been designated confidential by placing the following legend on the material:

CONFIDENTIAL  
SUBJECT TO GENERAL PROTECTIVE ORDER

To the extent practicable, the party may designate as confidential only the portions of the material covered by ORCP 36(C)(7).

5. A party may designate as confidential any information previously provided by giving written notice to the other parties. Parties in possession of newly designated Confidential Information must, when feasible, ensure that all copies of the information bear the above legend if requested by the designating party.

6. Any other party may challenge the designation of information as confidential by notifying the designating party. Once notified, the designating party bears the burden of showing that the challenged information is covered by ORCP 36(C)(7).

**Information Given to the Commission:**

7. Confidential Information filed or provided to the Commission or its Staff must be printed on yellow paper and placed in a sealed envelope or other appropriate container. **Only the portions of a document that fall within ORCP 36(C)(7) may be placed in the envelope/container.** The envelope/container must bear the legend:

THIS ENVELOPE IS SEALED UNDER ORDER NO. \_\_\_\_\_ AND  
CONTAINS CONFIDENTIAL INFORMATION. THE  
INFORMATION MAY BE SHOWN ONLY TO QUALIFIED  
PERSONS AS DEFINED IN THE ORDER.

**Disclosure of Confidential Information:**

8. To receive Confidential Information, all parties except Commission Staff must sign the "consent to be bound" in section I of Appendix B. Confidential Information may not be disclosed to any person other than a Qualified Person. When feasible, Confidential Information must be delivered to counsel. In the alternative, Confidential Information may be made available for inspection and review by Qualified Persons in a place and time agreeable to the parties or as directed by the ALJ.

9. A Qualified Person may disclose Confidential Information to any other Qualified Person associated with the same party, unless the designating party objects under paragraph 11.

10. To become a Qualified Person under paragraph 3(e), a person must:

- a. Read a copy of this general protective order;
- b. Execute a statement acknowledging that the order has been read and agreeing to be bound by the terms of the order;
- c. Date the statement;
- d. Provide a name, address, employer, and job title; and
- e. If the person is a consultant or advisor for a party, provide a description of the nature of the person's consulting or advising practice, including the identity of current, past, and expected clients.

Counsel must deliver a copy of the signed statement including the information in (d) and (e) to the designating party and to all parties of record. The notification may be made by electronic mail or facsimile. A person qualified under paragraph 3(e) may not have access to Confidential Information sooner than seven days after the designating party receives a copy of the signed statement.

11. All Qualified Persons may have access to Confidential Information unless the designating party objects as provided in this paragraph. The designating party must provide written notice to the Qualified Person and counsel for the party associated with the Qualified Person as soon as the designating party becomes aware of reasons to restrict access. The



parties must promptly confer and attempt to resolve any dispute over access to Confidential Information on an informal basis before filing a motion with the ALJ. After receipt of the written notice as required in this paragraph, the specific Confidential Information may not be disclosed to the Qualified Person until the issue is resolved.

**Preservation of Confidentiality:**

12. Without the written permission of the designating party, any person given access to Confidential Information under this order may not use or disclose Confidential Information for any purpose other than participating in these proceedings. All Qualified Persons must take reasonable precautions to keep Confidential Information secure. Disclosure of Confidential Information for purposes of business competition is strictly prohibited.

A Qualified Person may reproduce Confidential Information to the extent necessary to participate in these proceedings. A Qualified Person may disclose Confidential Information only to other Qualified Persons associated with the same party.

**Duration of Protection:**

13. The Commission will preserve the confidentiality of Confidential Information for a period of five years from the date of the final order in these proceedings, unless extended by the Commission at the request of the designating party. The Commission will notify the designating party at least two weeks prior to the release of Confidential Information.

**Destruction After Proceedings:**

14. Counsel of record may retain memoranda, pleadings, testimony, discovery, or other documents containing Confidential Information to the extent reasonably necessary to maintain a file of these proceedings or to comply with requirements imposed by another governmental agency or court order. The information retained may not be disclosed to any person. Any other person retaining Confidential Information must destroy or return it to the designating party within 90 days after final resolution of these proceedings unless the designating party consents in writing to retention of the Confidential Information. This paragraph does not apply to the Commission or its Staff.

**Appeal to the Presiding Officer:**

15. Any party may request that the ALJ conduct a conference to help resolve disputes related to this protective order.

A party challenging the designation of information as confidential may file an objection with the ALJ that identifies the information in dispute and includes a certification that reasonable efforts to achieve an informal resolution have been unsuccessful. Within seven days of the objection, unless otherwise ordered by the ALJ, the designating party must

either remove the confidential designation or file a written response identifying the legal basis for the claim of confidentiality. The challenging party may file a written reply to any response within seven days. If the designating party does not timely respond to the motion, the Commission will remove the confidential designation from the challenged information.

**Additional Protection:**

16. If a designating party seeks additional protection for Confidential Information, the party may move for any of the remedies in ORCP 36(C). The motion must include:

- a. The parties involved;
- b. The exact nature of the information involved;
- c. The legal basis for the claim that the information is protected under ORCP 36(C)(7) or the Public Records Law;
- d. The exact nature of the relief requested;
- e. The specific reasons the requested relief is necessary; and
- f. A detailed description of the intermediate measures, including selected redaction, explored by the parties and why these measures are insufficient.

Pending the Commission's ruling on a motion for additional protection, the information involved need not be released.

**SIGNATORY PAGE**  
DOCKET NO. [     ]

**I. Consent to be Bound:**

This general protective order governs the use of Confidential Information in these proceedings.

\_\_\_\_\_ (Party) agrees to be bound by the terms of the general protective order and certifies that it has an interest in these proceedings that is not adequately represented by other parties to the proceedings.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**II. Persons Qualified under Paragraphs 3(a) through 3(d):**

\_\_\_\_\_ (Party) identifies the following person(s) automatically qualified under paragraphs 3(a) through (d).

PRINTED NAME	DATE

**SIGNATORY PAGE**  
DOCKET NO. [ ]

**III. Persons Qualified under Paragraph 3(e):**

I have read the general protective order, agree to be bound by the terms of the order, and will provide the information identified in paragraph 10.

By: Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Employer: \_\_\_\_\_  
Job Title: \_\_\_\_\_  
 Paragraph 10(e) information also provided.

By: Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Employer: \_\_\_\_\_  
Job Title: \_\_\_\_\_  
 Paragraph 10(e) information also provided.


By: Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Employer: \_\_\_\_\_  
Job Title: \_\_\_\_\_  
 Paragraph 10(e) information also provided.

By: Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Employer: \_\_\_\_\_  
Job Title: \_\_\_\_\_  
 Paragraph 10(e) information also provided.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused **2011 POWER COST ADJUSTMENT TESTIMONY, EXHIBITS, WORKPAPERS (CONFIDENTIAL EXCLUDED), AND MOTION FOR PROTECTIVE ORDER [WITH PROPOSED PROTECTIVE ORDER]** to be served by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 232.

DATED at Portland, Oregon, this 29th day of June, 2012.

  
\_\_\_\_\_  
Patrick G. Hager III  
Rates & Regulatory Affairs  
Portland General Electric Company  
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503 464-7581 Telephone  
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**SERVICE LIST  
OPUC DOCKET # UE 232**

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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**UE \_\_\_\_\_  
2011 PCAM**

**PORTLAND GENERAL ELECTRIC COMPANY**

**Direct Testimony and Exhibits**

**June 29, 2012**

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**I. Introduction**

1 **Q. Please state your names and positions with PGE.**

2 A. My name is Patrick G. Hager. I am the Manager of Regulatory Affairs at PGE.

3 My name is Alex Tooman. I am a project manager at PGE.

4 Our qualifications appear at the end of this testimony.

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of our testimony is two-fold. First, we describe the 2011 Power Cost Variance  
7 (PCV), including base and actual power costs. Second, we describe how we determined the  
8 deferred amount for power costs using the Power Cost Adjustment Mechanism (PCAM)  
9 authorized by the Oregon Public Utility Commission (OPUC or Commission) in Order  
10 No. 07-015 (Docket UE 180) and established in PGE Schedule 126. In summary, the power  
11 cost variance after applying the deadband and sharing is approximately (\$17.3 million)<sup>1</sup>  
12 (i.e., actual power costs were less than forecasted power costs). After application of the  
13 earnings deadband, PGE calculates the PCAM refund to customers to be approximately  
14 (\$5.5 million). PGE Exhibit 102 provides the earnings test results for 2011.

15 **Q. Please summarize the process used in the PCAM.**

16 A. The first step in the process compares PGE's actual unit Net Variable Power Costs (NVPC)  
17 with our Base Unit NVPC and then multiplies the difference by actual load to determine an  
18 Annual Variance. We then apply an asymmetrical power cost deadband to the Annual  
19 Variance followed by 90-10 sharing between customers and shareholders to develop the  
20 PCV. After this, we apply a symmetrical Return On Equity (ROE) deadband to an earnings  
21 test to determine whether the final PCV should be collected from or refunded to customers

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<sup>1</sup> In our testimony, credit amounts are signified as (\$\_\_\_\_\_).

1 (see PGE Exhibit 101 for a summary of the PCV calculation). If there is a collection from  
2 or refund to customers, this amount is then posted to PGE's PCV account where it will  
3 accrue interest at PGE's authorized rate of return, until the Commission approves  
4 amortization. Finally, if there is a collection from or refund to customers, PGE would  
5 amortize the PCV balance through Schedule 126, which is an Automatic Adjustment Clause  
6 as defined in ORS 757.210.

7 **Q. Are there Minimum Filing Requirements (MFRs) associated with the PCAM?**

8 A. Yes. In PGE's 2007 PCAM (Docket No. UE 201), parties agreed to MFRs for future  
9 PCAMs. The MFRs specify that work papers to PGE's PCAM filing include the following:

- 10 • Monthly transaction-level detail by ledger number that is used to summarize actual  
11 power costs as provided in PGE Exhibit 103C.
- 12 • Detail regarding PGE's out-of-period adjustments.

13 As specified, confidential work papers to this filing include the required documentation.

14 **Q. How is your testimony organized?**

15 A. We begin by describing in greater detail how PGE calculated the PCV as determined by the  
16 Annual Variance and the power cost deadband. We then describe PGE's PCAM earnings  
17 review and determination of the PCAM deferral. The last section contains our  
18 qualifications.

## II. Calculation of PCV

### A. Base Power Costs

1 **Q. What is the first step in calculating the PCV?**

2 A. The first step is to identify PGE's base NVPC, which are based on the final power cost  
3 forecasts that PGE created for UE 215 (2011 general rate case) using our power cost  
4 forecasting model, Monet.<sup>2</sup> The Monet result establishes the unadjusted base NVPC of  
5 approximately \$728.1 million for 2011.

6 **Q. Did you apply any adjustments to derive these base costs?**

7 A. Yes. From the unadjusted base NVPC, we reduced power costs by another \$2.3 million to  
8 recognize steam sales from our Coyote Springs plant (as forecasted in UE 215). We applied  
9 this adjustment as directed by the Commission in Order No. 07-015 to achieve adjusted base  
10 power costs.

11 **Q. Did you apply an adjustment for Ancillary Service Revenues as also directed by**  
12 **Commission in Order No. 07-015?**

13 A. No. Because this revenue was incorporated directly into the Monet base power costs as filed  
14 in UE 215, there is no Ancillary Service adjustment necessary to calculate the 2011 PCV.

15 **Q. Did you apply an adjustment related to direct access and variable price option load?**

16 A. Yes. PGE reduced power costs related to the additional 68.5 MWa of 2011 direct access  
17 and variable price option load that had not been identified at the time the final Monet  
18 forecast was prepared in November 2010. This reduced base power costs by another  
19 \$19.7 million and, of course, it also reduced the base loads used to determine unit NVPC.

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<sup>2</sup> PGE has described the Monet model in the last five general rate proceedings (i.e., UE 115, UE 180, UE 188, UE 197, and UE 215) as well as previous RVM filings (Resource Valuation Mechanism – UE 139, UE 149, UE 161, and UE 172) and AUT filings (Annual Update Tariff – UE 192, UE 208, UE 228, and UE 250). Consequently, we incorporate those descriptions by reference.

1 **Q. Did you apply any other adjustments to the Monet output?**

2 A. No.

3 **Q. What were the final base NVPC?**

4 A. After the adjustments described above, base NVPC for 2011 were approximately  
5 \$706.1 million.

**B. Actual Power Costs**

6 **Q. What is the next step in calculating the PCV?**

7 A. The next step is to calculate PGE’s actual NVPC for 2011. We begin this step by  
8 identifying PGE’s variable power costs as charged to the following FERC accounts: 501,  
9 547, 555, and 565. We then include the amount of sales for resale, as charged to FERC 447.  
10 For 2011, this net amount is \$700.5 million. To this amount, we apply a number of  
11 adjustments as listed in Table 1, and described below.

**Table 1**

**Adjustments to Actual 2011 Power Costs (\$000)**

Actual NVPC per financial statements (see Exhibit 103C)		\$700,524
Excluded Items per Schedule 126:		
FAS 133/71, mark-to-market deferrals	subtract	0
Credit reserve activity	subtract	(61)
Out of period items	subtract	2,800
Other Excluded Items		
2002 PCA carrying costs	subtract	(1,814)
Green power costs billed directly to customers	subtract	8,627
Direct access 2009 deferral amortization	subtract	(819)
Solar Feed-In Tariff - Sch205/206 avoided costs	subtract	76
Items to Include		
Coyote steam sales	add	(1,696)
Fuel Sales:		
Gas resale margin	add	(276)
Oil	add	(12)
Transmission resale revenues	add	(5,101)
Biglow availability credit	add	514
Energy revenues for variable price option customers	add	<u>(16,577)</u>
Adjusted Actual NVPC		668,567

1 **Q. Please describe the adjustments PGE applied to its actual NVPC per Schedule 126.**

2 A. PGE applied several adjustments that are specifically identified in Schedule 126. First, PGE  
3 removed the following items:

4 • A credit of (\$61,000) for reserve activity related to non-retail customers during the  
5 PCAM period.

6 • A charge of \$2.8 million for out-of-period items, which consisted of two entries:

7 ○ \$2.6 million related to the adjustment imposed by Commission Order No. 11-432.

8 Although related to the 2012 forecasted power costs, PGE recorded this entry in 2011

9 in accordance with accounting standards (FAS 71).

10 ○ \$0.2 million for a refund reserve related to 2001 power cost transactions.

11 **Q. Did PGE exclude any other items?**

12 A: Yes. PGE also removed the following:

13 • A credit of (\$1.8 million) representing the amortization of a residual deferral balance  
14 associated with PGE's 2002 power cost adjustment.

15 • \$8.6 million for green power expenses that are billed directly to customers through  
16 Schedules 7 and 32. Consequently, they should not be included when calculating  
17 the PCV.

18 • A credit of (\$819,000) for the direct access deferral amortization. This credit was  
19 recorded to FERC account 447 and represents the deferral of the net gain on power  
20 costs associated with the large non-residential load shift true up. This credit is  
21 recovered through a supplemental schedule.

22 • A charge of approximately \$76,000 for the avoided costs associated with PGE's  
23 Solar Feed-In Tariff (SFIT – Schedules 205 and 206). To eliminate double counting,

1 this entry removes the increase to power costs that is associated with the avoided  
2 cost benefit that is applied to the SFIT deferral.

3 **Q. What other adjustments did PGE make to actual NVPC?**

4 A. PGE included the following items that are specifically identified in Schedule 126:

- 5 • A credit of (\$1.7 million) for actual steam sale revenues from the Coyote  
6 Springs 1 plant.
- 7 • A credit of (\$276,000) for gas resale margin.
- 8 • A credit of (\$12,000) for oil resale revenues.
- 9 • A charge of \$514,000 for Biglow Canyon availability adjustment. This charge  
10 effectively offsets lower purchased power costs due to Biglow Canyon having a  
11 higher availability factor than contracted.
- 12 • A credit of (\$16.6 million) for energy revenues from variable price option customers.
- 13 • A credit of (\$5.1 million) for transmission resale revenues, net of lost transmission  
14 revenues from direct access customers.

15 **Q. Why did you include a credit for transmission resale revenues in actual power costs?**

16 A. We did so because it is similar to gas and oil resales. In all these categories, the associated  
17 fuel and wheeling expense is in power costs but the resale revenue is recorded in Other  
18 Revenue. To correctly reflect the net power costs associated with these categories, we  
19 adjust power costs to reflect the resale revenue. Because these resale amounts are highly  
20 variable from year to year, and in the case of gas and oil, can be both positive and negative,  
21 we do not forecast them in base power costs.

1 **Q. Are sales of ancillary services included in actual NVPC?**

2 A. In 2011, there was no opportunity for these sales. Consequently, there was no revenue from  
3 the sales of ancillary services in FERC account 447.

4 **Q. What were the final actual NVPC?**

5 A. After all the adjustments described above, the final actual NVPC total is approximately  
6 \$668.6 million.

### C. Unit Power Costs and Annual Variance

7 **Q. What is the next step in calculating the PCV?**

8 A. The next step is to unitize the base and actual NVPC so as to calculate a unit NVPC  
9 variance. To accomplish this, we divide base NVPC and actual NVPC by base loads and  
10 actual loads, respectively. In both cases, we use retail cost of service loads. The unit NVPC  
11 variance is calculated by subtracting base unit NVPC from actual unit NVPC. We perform  
12 this step to eliminate the power cost variance that would arise from changes in load.

13 **Q. What is the unit NVPC variance and how do you calculate the Annual Variance?**

14 A. Although PGE Exhibit 101 lists the PCV on a monthly basis, the unit NVPC variance for  
15 purposes of the PCAM is based on annual amounts. For 2011, the unit NVPC variance is  
16 approximately (\$1.95) per MWh. We then calculate the Annual Variance by multiplying the  
17 unit NVPC variance times actual load. This produces an Annual Variance of approximately  
18 (\$34.3 million).

**D. PCV**

1 **Q. What is the final step in calculating the PCV?**

2 A. The final step is to apply the deadband and sharing percentages, if applicable, to the Annual  
3 Variance. Because we focus on the earnings test and Return on Equity (ROE) deadband in  
4 the next section, we only discuss the power cost deadband here.

5 **Q. What is the power cost deadband?**

6 A. Beginning January 1, 2011, the power cost deadband is calculated based on Commission  
7 Order No. 10-478 (Appendix D, page 3 of 11), which specifies the following:

- 8 • \$30 million for a positive Annual Variance; and  
9 • (\$15 million) for a negative Annual Variance.

10 This update is reflected in Schedule 126, which became effective January 1, 2011.

11 **Q. What was the final PCV after application of the sharing percents?**

12 A. After we deduct the (\$15.0 million) power cost deadband from the Annual Variance of  
13 (\$34.3 million), we have a (\$19.3 million) credit to allocate between customers (90%) and  
14 shareholders (10%). Applying the 90% customer share to that credit results in a credit PCV  
15 of approximately (\$17.3 million).



### III. Earnings Review

1 **Q. Has PGE performed an earnings review with which to calculate the ROE deadband?**

2 A. Yes. We performed this review initially as part of our annual requirement to provide a  
3 Results of Operations (ROO) Report to the OPUC Staff, which we submitted on  
4 June 1, 2012. Because the ROO incorporates all aspects of the PCAM earnings review,  
5 PGE uses it as the basis for the ROE deadband. We include it as PGE Exhibit 102.

6 **Q. What is the ROE deadband?**

7 A. The ROE deadband is +/-100 basis points of PGE's authorized ROE, which for 2011  
8 is 10.0% (Commission Order No. 10-478). If PGE's earnings are below 9.0%, then we  
9 would collect the PCV up to the point where the ROE is 9.0%. Alternatively, if PGE's  
10 earnings are above 11.0%, then we would refund the PCV down to the point where the ROE  
11 is 11.0%.

12 **Q. What was PGE's final 2010 ROE including the PCV?**

13 A. PGE's final 2011 ROE, before any PCAM refund, was 11.22%,<sup>3</sup> which is above the 11.0%  
14 upper deadband threshold. Based on this result, we calculate a PCAM deferral of  
15 approximately (\$5.5 million) to achieve a final ROE equal to the upper deadband of 11.00%.  
16 We propose to refund this amount to customers beginning January 1, 2013.

17 **Q. Does PGE provide earnings test ROE results that separately identify the impact of the**  
18 **PCAM amount as specified in item 4 of the UE 201 stipulation (see Commission**  
19 **Order No. 08-551).**

20 A. Yes. PGE Exhibit 104 provides our ROE results with the 2011 PCAM amount separately  
21 identified.

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<sup>3</sup> This is the earnings test result that includes the relevant adjustments from Commission Order No. 10-478 and the OPUC letter regarding the calculation of ROOs dated March 25, 1992.

1 **Q. What is the rate impact of the 2011 PCAM?**

2 A. The 2011 PCAM refund, through Schedule 126, will produce a 0.4% overall average rate  
3 decrease for applicable customers as of January 1, 2013, to be applied on an equal cents per  
4 kWh basis over eligible load.

#### IV. Qualifications

1 **Q. Mr. Hager, please state your educational background and experience.**

2 A. I received a Bachelor of Science degree in Economics from Santa Clara University in 1975  
3 and a Master of Arts degree in Economics from the University of California at Davis  
4 in 1978. In 1995, I passed the examination for the Certified Rate of Return Analyst  
5 (CRRA). In 2000, I obtained the Chartered Financial Analyst (CFA) designation.

6 I have taught several introductory and intermediate classes in economics at the  
7 University of California at Davis and at California State University Sacramento. In addition,  
8 I taught intermediate finance classes at Portland State University. Between 1996 and 2004, I  
9 served on the Board of Directors for the Society of Utility and Regulatory Financial  
10 Analysts.

11 I have been employed at PGE since 1984, beginning as a business analyst. I have  
12 worked in a variety of positions at PGE since 1984, including power supply. My current  
13 position is Manager, Regulatory Affairs.

14 **Q. Mr. Tooman, please state your educational background and experience.**

15 A. I received a Bachelor of Science degree in Accounting and Finance from the Ohio State  
16 University in 1976. I received a Master of Arts degree in Economics from the University of  
17 Tennessee in 1993 and a Ph.D. in Economics from the University of Tennessee in 1995. I  
18 have held managerial accounting positions in a variety of industries and have taught  
19 economics at the undergraduate level for the University of Tennessee, Tennessee Wesleyan  
20 College, Western Oregon University, and Linfield College. Finally, I have worked for PGE  
21 in the Rates and Regulatory Affairs department since 1996.

1 Q. Does this complete your testimony?

2 A. Yes.

**List of Exhibits**

<b><u>PGE Exhibit</u></b>	<b><u>Description</u></b>
101	Summary Calculation of PCV
102	2011 Results of Operations as filed June 1, 2012
<b>103C</b>	<b>Actual Power Costs by Month and FERC Account</b>
104	2011 Results of Operations with segregated PCAM amount

**GGE Power Cost Variance Mechanism (PCAM)**

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total	
<b>BASE</b>														
<b>MONET NVPC (\$000s)</b>														
MONET (AUT/GRC) (Nov15, Pre-Selection)	\$ 71,440	\$ 60,668	\$ 62,595	\$ 55,874	\$ 55,973	\$ 52,549	\$ 55,582	\$ 56,353	\$ 54,496	\$ 62,135	\$ 66,950	\$ 73,489	\$ 728,102	
<b>Adjust- from MONET to ORDER NVPC</b>														
No outboard adjustments for 2011													\$ -	
ORDER NVPC (PRE-SELECTION)	\$ 71,440	\$ 60,668	\$ 62,595	\$ 55,874	\$ 55,973	\$ 52,549	\$ 55,582	\$ 56,353	\$ 54,496	\$ 62,135	\$ 66,950	\$ 73,489	\$ 728,102	
<b>Adjust- from ORDER to BASE NVPC</b>														
Coyote Steam Sales in GRC - Other Rev	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (193)	\$ (2,319)	
Nov Opt-Outs to MONET NVPC	\$ (1,813)	\$ (1,555)	\$ (1,555)	\$ (1,212)	\$ (916)	\$ (771)	\$ (1,675)	\$ (2,167)	\$ (1,937)	\$ (1,851)	\$ (1,825)	\$ (2,401)	\$ (19,677)	
REVISED BASE NVPC (Post-Select, COS)	\$ 69,434	\$ 58,920	\$ 60,846	\$ 54,469	\$ 54,864	\$ 51,585	\$ 53,713	\$ 53,993	\$ 52,366	\$ 60,090	\$ 64,931	\$ 70,894	\$ 706,106	
<b>BASE LOADS (MWHs)</b>														
ORDER Retail Loads (Pre-Selection, COS)	1,751,565	1,506,222	1,575,202	1,425,238	1,421,931	1,394,174	1,520,087	1,510,918	1,390,779	1,455,818	1,551,098	1,750,638	18,253,670	
Dec Opt-Outs to ORDER Retail Loads	(50,169)	(44,618)	(50,184)	(46,918)	(49,937)	(51,637)	(54,436)	(54,674)	(50,880)	(49,375)	(47,667)	(49,519)	(600,014)	
BASE LOADS (Retail, w-DEC Opt-Outs, COS)	1,701,396	1,461,604	1,525,018	1,378,320	1,371,994	1,342,537	1,465,652	1,456,244	1,339,899	1,406,443	1,503,431	1,701,118	17,653,656	
<b>BASE UNIT NVPC</b>	\$ 40.81	\$ 40.31	\$ 39.90	\$ 39.52	\$ 39.99	\$ 38.42	\$ 36.65	\$ 37.08	\$ 39.08	\$ 42.73	\$ 43.19	\$ 41.68	\$ 40.00	
<b>ACTUAL / FORECAST</b>														
Actual / Forecast NVPC (no Other Rev)	\$ 66,702	\$ 57,443	\$ 56,272	\$ 54,017	\$ 52,842	\$ 50,779	\$ 47,591	\$ 53,584	\$ 57,165	\$ 62,370	\$ 65,435	\$ 76,524	\$ 700,524	
<b>EXCLUDE:</b>														
Credit Reserve - Expense	\$ 28	\$ 7	\$ (5)	\$ (4)	\$ (1)	\$ 33	\$ (111)	\$ (10)	\$ (14)	\$ 3	\$ (3)	\$ 16	\$ (61)	
FAS 13371 - MTM/Deferral	\$ (0)	\$ -	\$ 0	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0	\$ (0)	
Out-of-Period Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,800	\$ 2,800	
2002 PCA Carrying Costs - 5550020	\$ (80)	\$ (175)	\$ (177)	\$ (157)	\$ (147)	\$ (144)	\$ (143)	\$ (154)	\$ (157)	\$ (144)	\$ (156)	\$ (180)	\$ (1,814)	
Direct Access deferral amortization - 4470002/4	\$ (13)	\$ (81)	\$ (82)	\$ (73)	\$ (68)	\$ (67)	\$ (66)	\$ (71)	\$ (73)	\$ (67)	\$ (72)	\$ (84)	\$ (819)	
Green Power expenses in 5550006 - JMS45D	\$ 846	\$ 741	\$ 738	\$ 647	\$ 592	\$ 971	\$ 590	\$ 629	\$ 674	\$ 628	\$ 702	\$ 870	\$ 8,627	
Solar Feed-In Tariff - Sch205/206 avoided costs	\$ 1	\$ 1	\$ 1	\$ 6	\$ -	\$ 4	\$ 4	\$ 11	\$ 17	\$ 15	\$ 9	\$ 7	\$ 76	
Subtotal Exclusions	\$ 782	\$ 491	\$ 476	\$ 418	\$ 375	\$ 798	\$ 273	\$ 404	\$ 447	\$ 435	\$ 480	\$ 3,429	\$ 8,810	
<b>INCLUDE:</b>														
Coyote Steam Sales - 4560001	\$ 26	\$ (257)	\$ (149)	\$ (184)	\$ (53)	\$ (128)	\$ (141)	\$ (161)	\$ (221)	\$ (174)	\$ (107)	\$ (148)	\$ (1,686)	
Gas Resale Margin - 4560008	\$ (290)	\$ (165)	\$ (129)	\$ (162)	\$ (95)	\$ (110)	\$ (328)	\$ 37	\$ 115	\$ 358	\$ 85	\$ 409	\$ (276)	
Add Oil Sales - Revenue - 4560001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12)	\$ -	\$ -	\$ (12)	
Biglow availability (damages)/bonus - 5530001	\$ -	\$ -	\$ (27)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284	\$ -	\$ 257	\$ 514	
Energy Revenues from VPO customers	\$ (1,474)	\$ (1,144)	\$ (1,067)	\$ (1,226)	\$ (1,112)	\$ (999)	\$ (1,363)	\$ (1,809)	\$ (1,910)	\$ (1,517)	\$ (1,367)	\$ (1,591)	\$ (16,577)	
Transmission resale revenues	\$ (471)	\$ (502)	\$ (669)	\$ (589)	\$ (768)	\$ (715)	\$ (477)	\$ (615)	\$ (58)	\$ (88)	\$ (105)	\$ (46)	\$ (5,101)	
Subtotal Inclusions	\$ (2,209)	\$ (2,067)	\$ (2,041)	\$ (2,160)	\$ (2,028)	\$ (1,951)	\$ (2,309)	\$ (2,547)	\$ (2,074)	\$ (1,148)	\$ (1,494)	\$ (1,118)	\$ (23,147)	
REVISED ACTUAL NVPC	\$ 63,710	\$ 54,885	\$ 53,755	\$ 51,439	\$ 50,239	\$ 48,030	\$ 45,009	\$ 50,632	\$ 54,644	\$ 60,786	\$ 63,461	\$ 71,977	\$ 668,567	
<b>ACTUAL/FCST LOADS (Retail-COS-Calendar)</b>														
	1,682,538	1,506,104	1,563,683	1,413,630	1,349,717	1,282,227	1,358,744	1,465,416	1,376,917	1,366,687	1,498,452	1,707,467	17,571,583	
ytd	3,168,643	4,782,326	6,165,957	7,515,674	8,797,301	10,156,645	11,622,060	12,998,978	14,365,665	15,864,117	17,571,583			
<b>ACTUAL UNIT NVPC</b>	\$ 37.87	\$ 36.44	\$ 34.38	\$ 36.39	\$ 37.22	\$ 37.46	\$ 33.13	\$ 34.55	\$ 39.69	\$ 44.48	\$ 42.35	\$ 42.15	\$ 38.05	
<b>UNIT NVPC VARIANCE</b>														
ACTUAL UNIT NVPC	\$ 37.87	\$ 36.44	\$ 34.38	\$ 36.39	\$ 37.22	\$ 37.46	\$ 33.13	\$ 34.55	\$ 39.69	\$ 44.48	\$ 42.35	\$ 42.15	\$ 38.05	
BASE UNIT NVPC	\$ 40.81	\$ 40.31	\$ 39.90	\$ 39.52	\$ 39.99	\$ 38.42	\$ 36.65	\$ 37.08	\$ 39.08	\$ 42.73	\$ 43.19	\$ 41.68	\$ 40.00	
ACTUALS ABOVE (BELOW) BASE UNIT NVPC	\$ (2.94)	\$ (3.87)	\$ (5.52)	\$ (3.13)	\$ (2.77)	\$ (0.97)	\$ (3.52)	\$ (2.53)	\$ 0.60	\$ 1.75	\$ (0.84)	\$ 0.48	\$ (1.95)	
<b>ANNUAL VARIANCE (AV)</b>														
= UNIT NVPC VARIANCE X ACTUAL LOADS														
ACTUALS ABOVE (BELOW) BASE	\$ (4,954)	\$ (5,829)	\$ (8,634)	\$ (4,426)	\$ (3,734)	\$ (1,238)	\$ (4,786)	\$ (3,701)	\$ 831	\$ 2,396	\$ (1,256)	\$ 818	\$ (34,256)	
ACTUALS ABOVE (BELOW) BASE - YTD	\$ (4,954)	\$ (10,783)	\$ (19,417)	\$ (23,843)	\$ (27,578)	\$ (28,815)	\$ (33,602)	\$ (37,303)	\$ (36,471)	\$ (34,075)	\$ (35,331)			
Positive Deadband - Actuals ABOVE Base	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	
Negative Deadband - Actuals BELOW Base	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	
Variance at 100%	\$ 10,046	\$ 4,217	\$ (4,417)	\$ (8,943)	\$ (12,578)	\$ (13,815)	\$ (18,602)	\$ (22,303)	\$ (21,471)	\$ (19,075)	\$ (20,331)		\$ (19,256)	
<b>ANNUAL POWER COST VARIANCE (PCV)</b>	= (ANNUAL VARIANCE - DEADBAND) X 90%												POSITIVE (NEGATIVE) PCV = ACTUALS ABOVE (BELOW) POWER COST DEADBANDS	\$ (17,331)
<b>YTD POWER COST VARIANCE (PCV)</b>	= (YTD VARIANCE - DEADBAND) X 90%												POSITIVE (NEGATIVE) PCV = ACTUALS ABOVE (BELOW) POWER COST DEADBANDS	\$ (17,331)
PCAM - TO MAXIMUM YTD VARIANCE ALLOWED PER ROE TEST =													\$ (5,477)	

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January 1, 2011 - December 31, 2011

(Thousands of Dollars)

Regulatory adjustments based on Docket UE 215, Order 10-478	Actual	Type I	Regulated		Regulated		Pro Forma
	Utility Results	Accounting Adjustments	Utility Actuals	Type I Adjustments	Adjusted Results	Type II Adjustments	Results
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues							
Sales to Consumers	1,720,295	10,862	1,731,156	(5,477)	1,725,679	2,586	1,728,265
Sales for Resale	59,987	(59,987)	0	0	0	0	0
Other Operating Revenues	28,561	(7,084)	21,477	0	21,477	0	21,477
Total Operating Revenues	1,808,842	(56,209)	1,752,633	(5,477)	1,747,156	2,586	1,749,742
Operation & Maintenance							
Net Variable Power Cost	759,775	(69,871)	689,904	47	689,951	12,713	702,663
Total Fixed O&M	201,969	0	201,969	0	201,969	3,576	205,546
Other O&M	213,988	1,633	215,621	(12,733)	202,888	3,168	206,055
Total Operation & Maintenance	1,175,732	(68,238)	1,107,494	(12,686)	1,094,808	19,457	1,114,265
Depreciation & Amortization	223,924	1,722	225,646	0	225,646	708	226,354
Other Taxes / Franchise Fee	96,561	0	96,561	(137)	96,424	241	96,665
Income Taxes	59,671	10,491	70,162	2,873	73,036	(7,485)	65,551
Total Oper. Expenses & Taxes	1,555,889	(56,025)	1,499,864	(9,950)	1,489,914	12,921	1,502,834
Utility Operating Income	252,954	(184)	252,770	4,473	257,243	(10,335)	246,908
Rate of Return	8.31%		8.29%		8.44%		7.98%
Return on Equity	10.73%		10.69%		11.00%		9.93%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	6,390,390	0	6,390,390	0	6,390,390	159,400	6,549,790
Accumulated Depreciation	3,007,690	0	3,007,690	0	3,007,690	105,590	3,113,280
Accumulated Def. Income Taxes	417,967	0	417,967	30	417,997	24,073	442,070
Accumulated Def. Inv. Tax Credit	13	0	13	0	13	(13)	0
Net Utility Plant	2,964,719	0	2,964,719	(30)	2,964,690	29,750	2,994,440
Deferred Programs & Investments	12,077	4,338	16,415	76	16,492	(61)	16,431
Operating Materials & Fuel	62,571	0	62,571	0	62,571	8,906	71,477
Misc. Deferred Credits	(53,216)	0	(53,216)	0	(53,216)	5,009	(48,206)
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	57,950	431	58,380	(388)	57,992	1,558	59,550
Total Average Rate Base	3,044,101	4,769	3,048,870	(341)	3,048,529	45,163	3,093,692

PGE Exhibit 103C is Confidential and will be provided upon execution of Protective Order



PORTLAND GENERAL ELECTRIC  
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January 1, 2011 - December 31, 2011

Regulatory adjustments based on Docket UE 215, Order 10-478	(Thousands of Dollars)						
	Actual Utility Results	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	2011 PCAM Accrual	Adjusted Results with PCAM
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues							
Sales to Consumers	1,720,295	10,862	1,731,156	0	1,731,156	(5,477)	1,725,679
Sales for Resale	59,987	(59,987)	0	0	0	0	0
Other Operating Revenues	28,561	(7,084)	21,477	0	21,477	0	21,477
Total Operating Revenues	1,808,842	(56,209)	1,752,633	0	1,752,633	(5,477)	1,747,156
Operation & Maintenance							
Net Variable Power Cost	759,775	(69,871)	689,904	47	689,951	0	689,951
Total Fixed O&M	201,969	0	201,969	0	201,969	0	201,969
Other O&M	213,988	1,633	215,621	(12,702)	202,919	(31)	202,888
Total Operation & Maintenance	1,175,732	(68,238)	1,107,494	(12,655)	1,094,839	(31)	1,094,808
Depreciation & Amortization	223,924	1,722	225,646	0	225,646	0	225,646
Other Taxes / Franchise Fee	96,561	0	96,561	0	96,561	(137)	96,424
Income Taxes	59,671	10,491	70,162	4,946	75,108	(2,073)	73,036
Total Oper. Expenses & Taxes	1,555,889	(56,025)	1,499,864	(7,709)	1,492,154	(2,241)	1,489,914
Utility Operating Income	252,954	(184)	252,770	7,709	260,479	(3,236)	257,243
Rate of Return	8.31%		8.29%		8.54%		8.44%
Return on Equity	10.73%		10.69%		11.22%		11.00%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	6,390,390	0	6,390,390	0	6,390,390	0	6,390,390
Accumulated Depreciation	3,007,690	0	3,007,690	0	3,007,690	0	3,007,690
Accumulated Def. Income Taxes	417,967	0	417,967	30	417,997	0	417,997
Accumulated Def. Inv. Tax Credit	13	0	13	0	13	0	13
Net Utility Plant	2,964,719	0	2,964,719	(30)	2,964,690	0	2,964,690
Deferred Programs & Investments	12,077	4,338	16,415	76	16,492	0	16,492
Operating Materials & Fuel	62,571	0	62,571	0	62,571	0	62,571
Misc. Deferred Credits	(53,216)	0	(53,216)	0	(53,216)	0	(53,216)
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	57,950	431	58,380	(301)	58,080	(87)	57,992
Total Average Rate Base	3,044,101	4,769	3,048,870	(254)	3,048,616	(87)	3,048,529

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

# **Work Papers**

**Non-Confidential provided electronically (CD)**

**PORTLAND GENERAL ELECTRIC COMPANY**

**Patrick Hager – Alex Tooman**

**June 29, 2012**