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September 10, 2024

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY,
Request for a General Rate Revision.
Docket No. UE 435

Dear Filing Center:

Please find enclosed the Redacted Rebuttal Testimony and Exhibits of Bradley G. Mullins (AWEC/300 – 304) and Lance D. Kaufman (AWEC/400-402) on behalf of the Alliance of Western Energy Consumers ("AWEC") in the above-referenced docket.

Please note that Exhibit AWEC/304 of Bradley G. Mullins and the Testimony and Exhibits of Lance D. Kaufman, AWEC/400 and AWEC/401, contain confidential protected information that is being handled in accordance with General Protective Order No. 23-132. The Confidential version of the Rebuttal Testimony and Exhibits of Bradley G. Mullins and Lance D. Kaufman have been password protected and encrypted with 7-zip software which will be transmitted via electronically to the Commission and qualified persons on the service list.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

<u>/s/ Nannette M. Moller</u>
Nannette M. Moller

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the enclosed **Rebuttal Testimony and Exhibits of Bradley G. Mullins and Lance D. Kaufman on behalf of the Alliance of Western Energy Consumers** upon the parties below by electronic mail.

DATED this 10th day of September 2024.

Davison Van Cleve, P.C.

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BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

UE 435

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY,	)
	)
	)
Request for a General Rate Revision.	)
	)

REBUTTAL TESTIMONY OF BRADLEY G. MULLINS

ON BEHALF OF THE

ALLIANCE OF WESTERN ENERGY CONSUMERS

SEPTEMBER 10, 2024

TABLE OF CONTENTS
TO THE REBUTTAL TESTIMONY
OF BRADLEY G. MULLINS

EXHIBIT LIST

I. INTRODUCTION AND SUMMARY

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Bradley G. Mullins. I am the Principal Consultant of MW Analytics, a consulting firm that represents utility customers before state public utility commissions in the Northwest and Intermountain West.

Q. ARE YOU THE SAME WITNESS THAT PREVIOUSLY SUBMITTED OPENING TESTIMONY IN THIS DOCKET?

A. Yes. I previously caused to be filed Opening Testimony on behalf of the Alliance of Western Energy Consumers ("AWEC"), regarding the level of revenue requirement proposed by Portland General Electric Company ("PGE") in this docket, among other policy issues.

Q. WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?

A. I respond to the Reply Testimony of PGE on revenue requirement issues.

Q. PLEASE SUMMARIZE YOUR RESPONSE.

A. PGE has not presented a coherent revenue requirement calculation that is supported with necessary evidence required for the Commission to find that the rate increase it has proposed is just, reasonable, and in the public interest as required by ORS 757.210(1)(a). Accordingly, I recommend the Commission reject this rate filing based on a finding that PGE has not satisfied its evidentiary burden of proof. Foremost, PGE's revenue requirement is not justified based on evidence it has submitted in this docket. Rather, it has justified its rate increase based on a budget that it submitted in Docket No. UE 416, the 2023 General Rate Case ("GRC"). PGE asserts that contesting this evidence is akin to "re-litigat[ing] the results of UE 416 …."[1]

[1] *See* e.g. PGE/1300, Batzler-Meeks/8:8-9.

Taking aside the many facts discrediting this assertion—namely, that the 2023 GRC was resolved through a settlement stipulation and that the Commission does not approve budgets—the rates that PGE is proposing to implement in this docket must be based on evidence submitted in this docket, including PGE's actual costs. As I demonstrate again below, the form of PGE's revenue requirement calculation is incoherent, relying on arbitrary assumptions regarding the timing of new capital additions and dissonant rate base and depreciation expense calculations.

Q. HAVE YOU REVISED YOUR REVENUE REQUIREMENT RECOMMENDATION?

A. Yes. In the alternative to my primary recommendation that the Commission reject PGE's rate filing for the reasons set forth herein, **Table 1-Reb** provides a revised revenue requirement recommendation.

Table 1-REB
AWEC Rebuttal Revenue Requirement Recommendation ($000)

1		**PGE Initial Proposal (Incl. Constable, Excl. NVPC)**	**204,299**
2		*% Increase*	*6.8%*
3		Impact of Adjustments	
4		Cost of Capital	(53,049)
5	*A1*	AMA Rate Base Valuation	(60,249)
6	*A2*	Cost of Removal Depr.	-
7	*A4*	Non-Labor O&M	(23,323)
8	*A5*	Labor Expense	(35,461)
9	*A6*	Revolver Fees	(2,234)
10	*A7*	Margin Net Interest	(1,264)
11	*A8*	Broker Fees	(138)
12	*A9*	Directors' Fees	(3,393)
13	*A10*	Stock Incentives	(3,085)
14	*A11*	Incentives Overhead	(4,199)
15	*A12*	PTC Carryforward	(10,184)
16	*A13*	Boardman C.O.R.	(600)
17	*A14*	Emergency Deferrals	(2,474)
18	*A15*	Accrued Incetnives	(501)
19	*A16*	Or. Corp. Activity Tax	(1,935)
20	*A17*	Anderson Readiness Ctr. ITCs	(122)
21	*A18*	Constable ITCs	(24,742)
22	*A19*	Key Cust.Mngr (Kaufman)	(725)
24		Interest Coordination	12,076
25		**Total Adjustments**	**(215,602)**
26		**Adjusted Revenue Requirement**	**(11,303)**
27		*Adjusted % Increase*	*-0.4%*

II. PGE'S REVENUE REQUIREMENT JUSTIFICATION

Q. WHY DOES PGE BELIEVE THAT ITS 2024 O&M BUDGET IS SUFFICIENT EVIDENCE TO JUSTIFY A RATE INCREASE IN THIS DOCKET?

A. PGE has basically taken the position that the Commission must accept its 2025 budget as reasonable based on its 2024 budget, regardless of whether it has justified the 2025 budget in relation to its actual costs or any other factors. My general understanding of PGE's logic is as follows. First, PGE supposes that if the Commission found its 2024 budget to be reasonable, then the Commission must also find its 2025 budget to be reasonable. This of course is not accurate. PGE also presumes that, when the Commission approved the settlement stipulation in the 2023 GRC, it found PGE's 2024 budget to be reasonable. The Commission did not. Finally, PGE appears to reason that if a budget is found to be reasonable in a prior GRC, then the Commission must continue find the budget to be reasonable in a subsequent GRC. This is not the case. It should be plainly obvious, that PGE's arguments in this regard are not sound and that its conclusion is invalid. Revenue requirement in a regulatory proceeding must be justified in relation to evidence submitted in that proceeding, not the results of another.

Q. WHEN THE COMMISSION APPROVED THE SETTLEMENT STIPULATIONS IN THE 2023 GRC, DID IT APPROVE PGE'S BUDGET FOR 2024?

A. No. The Commission never found PGE's 2024 budget to be reasonable. As a general principle, the Commission approves the reasonableness of rates, not the specific budgetary assumptions that were made in developing those rates. Further, the revenue requirement from the 2023 GRC was the result of multiple partial stipulations, including several black-box adjustments. When the Commission adopted these stipulations, it did not endorse any part of PGE's 2024 budget. The Second Partial Stipulation, for example, states that "[b]y entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation."[2]

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[2] Docket No. UE 416, Second Partial Stipulation at ¶ 18 (Aug. 21, 2023).

Q. IF THE 2024 BUDGET WERE FOUND TO BE REASONABLE, DOES IT FOLLOW THAT THE 2025 BUDGET IS ALSO REASONABLE?

A. No. Even if PGE's 2024 budget were reasonable that does not necessarily mean that the 2025 budget is reasonable. Effectively, PGE is asking the Commission to conclude that the reasonableness of the 2025 budget is not distinct from the 2024 budget because the process used to develop those budgets is similar and continuous. Such a conclusion, however, cannot be made. Under this theory, any budget that PGE were to submit in this docket must be found to be reasonable simply because it was developed through PGE's budgetary process.

Q. WHAT EVIDENCE IS TRADITIONALLY REQUIRED TO EVALUATE THE REASONABLENESS OF A REVENUE REQUIREMENT CALCULATION?

A. The evidence needs to be objective and verifiable, which inherently requires a reconciliation to PGE's actual costs. The traditional way that this is done is through a pro forma study, which I discussed in my Opening Testimony. This does not necessitate the use of a historical test period but requires evidence and documentation supporting all pro forma adjustments made in developing the revenue requirement in the test period, future or otherwise, starting with actual costs. A black box budget of costs, as PGE submitted in this case, does not conform with this traditional approach because there are no concrete reconciliations or explanations for why the forecasts differ from actual, known and measurable costs.

Q. DID PGE PRESENT A PRO FORMA STUDY IN ITS REPLY TESTIMONY?

A. No. While AWEC recommended PGE present a pro forma study to support its budget, PGE refused to do so. Failing that, I do not believe adequate evidence has been submitted to justify the major rate increase PGE is seeking in this case.

Q. HOW DID PGE RESPOND TO YOUR RECOMMENDATION REGARDING A PRO FORMA STUDY?

A. PGE identified two objections to my recommendation. First PGE states that "AWEC neglects to mention that PGE provided historical actuals to compare against its 2025 test year through the standard data request process and as work paper support included with each piece of testimony provided."[3] Second, PGE states that "AWEC appears to be describing the use of a historical test year, while Oregon has standardized the use of a forward test year for many decades."[4] Both of these statements are false and/or irrelevant to the need to reconcile PGE's proposed revenue requirement to its actual costs.

Q. DID YOU "NEGLECT TO MENTION" THAT PGE PROVIDED HISTORICAL DATA IN RESPONSE TO DATA REQUESTS?

A. No. That assertion is plainly untrue. On the contrary, I cited and used that very information in my revenue requirement analysis.[5] Further, a traditional pro forma study requires more than just a comparison back to the historical data. A pro forma study is a sequential analysis that is designed to document each and every pro forma assumption that the utility made to support its test period revenue requirement. This contrasts with PGE's method in this proceeding of simply placing the actual and budgeted results side-by-side, with no explanation for why the budgeted results are different from the actuals. From this perspective, the budget is effectively a black box amount, without sufficient evidence to ascertain why there are differences between the actual amounts and budgeted amounts.

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3 PGE/1300, Batzler-Meeks/7:20-22.

4 *Id.* at 7:22-8:2.

5 *See, e.g.,* AWEC/100, Mullins/27 (Table 4); AWEC/100, Mullins/38 (Table 10).

Q. IS A PRO FORMA STUDY A HISTORICAL TEST PERIOD?

A. No. While a pro forma study starts with actual costs, it applies sequential adjustments to those costs, which can be used in the context of both historical test periods and future test periods. The difference between the budget that PGE has proposed, and the use of a pro forma study is that in a pro forma study all of the pro forma adjustments to the actual costs must be justified with concrete evidence, as opposed to merely asserting that the overall budget is reasonable. This is the approach PacifiCorp took in its ongoing rate case, as I noted in my Opening Testimony.[6] In asserting that my testimony describes an historical test period, PGE does not appear to have reviewed the pro forma study PacifiCorp submitted in its ongoing rate case, which was used in the context of a forward test period.

Q. HAS PGE SUBMITTED SUFFICIENT EVIDENCE TO JUSTIFY ITS PROPOSED REVENUE REQUIREMENT INCREASE?

A. No. PGE has refused to provide any concrete documentation that reconciles back to its actual known and measurable costs. It continues to recommend that its revenue requirement be found to be reasonable based on a comparison to its 2024 budget. The Commission, however, has never approved the 2024 budget, and PGE has provided no evidence in the context of this case that the 2024 budget was independently reasonable. Moreover, the reasonableness of the 2024 budget in no way proves the reasonableness of the 2025 budget used in this case. Accordingly, my principal recommendation is that the Commission find that, with respect to revenue requirement, PGE has failed to meet its burden of proof and that the Commission reject the rate increase PGE is proposing.

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6 AWEC/100, Mullins/9:15-18.

Q. HAVE OTHER UTILITY COMMISSIONS REJECTED A UTILITY RATE FILING ON THE BASIS THAT IT LACKED SUFFICIENT EVIDENCE TO BE APPROVED?

A. Yes. In 2016, following a fully developed evidentiary record, the Washington Utilities and Transportation Commission ("WUTC") rejected Avista Corp.'s general rate case, finding that "Avista, in this case, has failed to carry its burden to show that its existing rates 'are unjust, unreasonable, [or] insufficient to yield a reasonable compensation for the service rendered.'"[7]

Q. WERE YOU A WITNESS IN THAT CASE?

A. Yes. I filed testimony on behalf of AWEC in Avista's 2016 general rate case in Washington.

Q. WHAT WERE THE CIRCUMSTANCES OF THAT CASE?

A. Like PGE, Avista's 2016 case was filed on the heels of a previous rate case, just six weeks after the WUTC had approved new rates for the utility. While Washington relies on a historical test year to set rates, Avista used an "attrition adjustment" to support its rate increase.

Q. WHAT IS AN ATTRITION ADJUSTMENT?

A. An attrition adjustment increases a utility's revenue requirement based on a study provided by the utility that allegedly demonstrates that the level of investment the utility intends to make in the rate year will result in earnings "attrition", thus making it impossible for the utility to earn its authorized return. In essence, then, the attrition adjustment modifies the historical test period by introducing investments and expenses that are projected to occur after rates are set.

Q. ARE THERE SIMILARITIES BETWEEN AVISTA'S 2016 WASHINGTON RATE CASE AND THIS CASE?

A. Yes. In its order rejecting Avista's rate filing, the WUTC noted that Avista did not follow an "appropriate methodology" for developing an attrition study.[8] Whereas Avista should have

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[7] WUTC Docket Nos. UE-160228/UG-160229, Order 06 at ¶ 61 (Dec. 15, 2016) (quoting RCW 80.28.020).
[8] *Id.* at ¶ 62.

developed a modified historical test year with pro forma plant additions and then performed the attrition study on these results, Avista's case instead "begins and ends with its attrition study."[9] This is similar to PGE's filing, in which its revenue requirement request begins and ends with its 2025 budget.

III. CAPITAL

a. Rate Base Valuation

Q. IS PGE'S INVALID RATE BASE VALUATION TECHNIQUE FURTHER REASON TO REJECT PGE'S FILING?

A. Yes. In my Opening Testimony, I noted that PGE was proposing an unaccepted and invalid rate base valuation technique. In its filing, PGE measured the rate base balances over the 12 months ending December 31, 2024. However, PGE made a false modeling assumption that all capital in 2024 was to be transferred to plant on January 1, 2024. I demonstrated that the actual transfers to plant PGE was forecasting occur ratably over the course of the year and that its assumption that all transfers to plant occur on January 1, 2024 lead to an incongruous and inaccurate rate base valuation.[10] This technique represents a jumble of rate base valuation assumptions, depending on when the plant is assumed to be placed into service. Considering the invalidity of this approach, PGE has not adequately justified the rate base included in revenue requirement. Intervenors do not have access to the outboard computer programs, including the tax normalization software, necessary to fully correct for this erroneous calculation. Since PGE has been unable to present a coherent rate base calculation, there is not

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9 *Id.*

10 AWEC/100, Mullins/12:16-13:7.

sufficient evidence to determine what PGE's rate base should be, nor to determine the appropriate revenue requirement impact thereof.

Q. WHAT RATE BASE VALUATION METHOD DID YOU RECOMMEND IN OPENING TESTIMONY?

A. I recommended using PGE's rate base model to develop a consistently stated Average of Monthly Averages rate base calculated over the 12-months ending December 31, 2024.

Q. HOW DID PGE RESPOND TO YOUR CRITICISMS OF ITS APPROACH?

A. PGE stated that AWEC's assertion that it had included all of the 2024 plant additions in its rate base model with a January 1, 2024 rate effective date was factually inaccurate. PGE stated that AWEC "incorrectly asserts that PGE assumes plant balances were placed into service January 1, 2024."[11] PGE cited PGE's Exhibit 200 "GRC Plant Additions Detail" as evidence that it did not assume plant balances were placed into service January 1, 2024.[12]

Q. DID PGE'S RATE BASE MODEL ASSUME THAT ALL 2024 PLANT ADDITIONS WERE PLACED INTO SERVICE ON JANUARY 1, 2024?

A. Yes. I attached as an exhibit to my Opening Testimony the specific workpaper in PGE's rate base model where this assumption was made, and PGE confirmed in its Reply Testimony "[t]he use of a January 1, 2024 date"[13] for 2024 plant additions in that model. Accordingly, it is not clear how PGE can truthfully state that the 2024 plant additions were modeled consistently with the in-service dates forecast in Exhibit 200 "GRC Plant Additions Detail." To be clear, the in-service dates forecast in Exhibit 200 "GRC Plant Additions Detail," were not used in PGE's rate base modeling. That was the very point of AWEC's testimony and

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11 PGE/1300, Batzler-Meeks/19:18-19.

12 *Id.* at 19:20:20:1.

13 *Id.* at 20:1-2.

concerns with respect to this matter. Therefore, PGE's assertion that its Exhibit 200 provides evidence that it molded the plant additions correctly in its rate base model is not accurate since the dates in that Exhibit were not used.

Q. WHAT RATIONALE DID PGE GIVE FOR MODELING THE PLANT ADDITIONS ON JANUARY 1, 2024?

A. PGE stated that this assumption was necessary to "provide customers a full year of accumulated depreciation benefit for new 2024 assets."[14] PGE further explains that "[t]his date is only a proxy used in the calculation of annualized depreciation for new plant additions."[15]

Q. IS IT NECESSARY TO PROVIDE A FULL YEAR OF ACCUMULATED DEPRECIATION BENEFITS FOR NEW 2024 ASSETS?

A. No. Consistency is a primary consideration in establishing rate base. It requires that all of the rate base assumptions, including gross plant, accumulated depreciation, and deferred taxes be evaluated over the same period of time. Correspondingly, it is also necessary for there to be consistency between the accumulated depreciation values used in a rate base calculation and the accumulated depreciation accrued with respect to the depreciation expenses. Depreciation expense is an additional cost to ratepayers, while the corresponding accumulated depreciation is a benefit because it reduces rate base. Thus, measuring depreciation expenses in a manner that is different than accumulated depreciation is inconsistent with the principle that costs and benefits match in a revenue requirement calculation. PGE's assertion that its proposal "*reduces* PGE's December 31, 2024 rate base request"[16] obfuscates the fact that the approach

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14 PGE/1300, Batzler - Meeks/20:2-3.
15 *Id*. at 21:7-8.
16 *Id.* at 20:3-4 (emphasis in original).

systematically *increases* revenue requirement after considering the effects on depreciation expense. By constructing its rate base in this way, PGE's proposal includes incremental depreciation expenses and accumulated depreciation after the December 31, 2024 valuation date for some plant but not all. While this approach results in a hypothetical rate base that is lower than the expected December 31, 2024 value, it also results in a higher depreciation expense, which has approximately 10 times the impact to revenue requirement as the incremental accumulated depreciation.

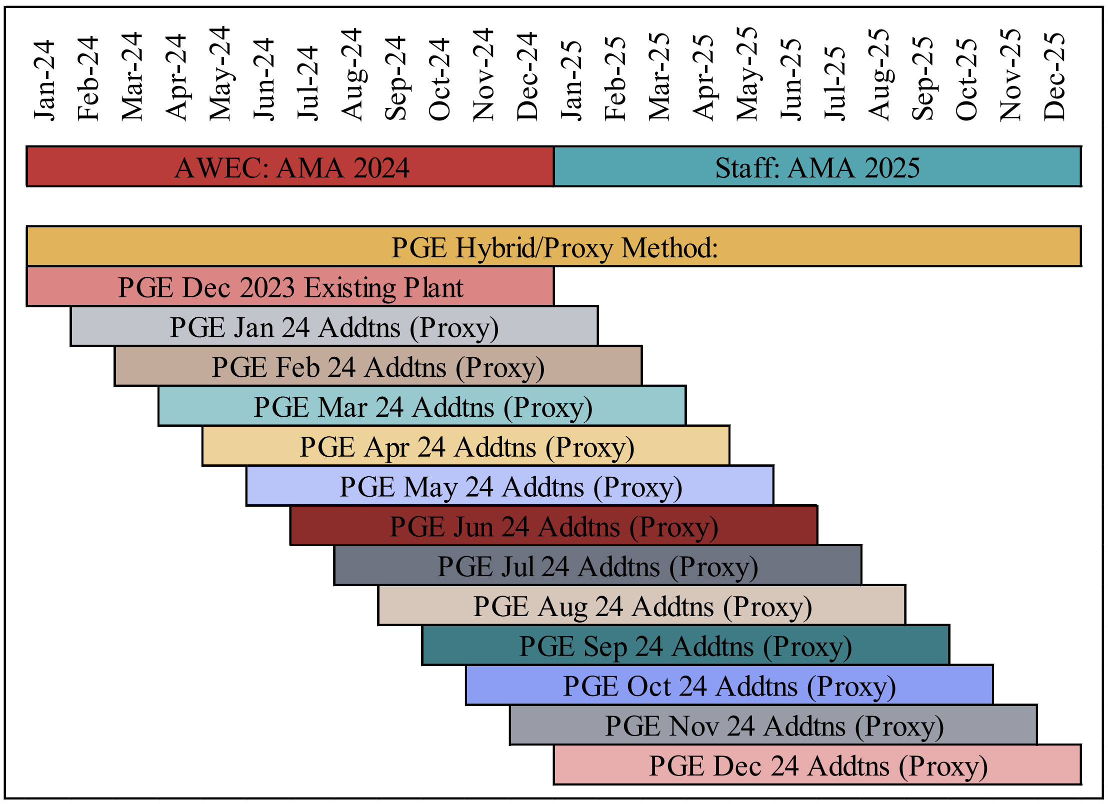
Q. CAN YOU PROVIDE AN EXAMPLE OF THIS?

A. Yes. Exhibit AWEC/302, Mullins/1 provides a numerical example using hypothetical numbers demonstrating that the incremental accumulated depreciation associated with the poxy rate base addition date is offset dollar for dollar by increased depreciation expenses. Since the incremental depreciation expenses have a higher revenue requirement value than the increase in accumulated depreciation, PGE's proposal systematically inflates revenue requirement. In the example, I evaluated the impact of a single capital addition being added on July 1, 2024 using PGE's proxy method versus the actual plant balances in both 2024 and 2025. The analysis shows that not only does PGE's proxy approach increase revenue requirement relative to actual 2024 balances, but it also increases revenue requirement relative to the 2025 balances. Thus, PGE's approach overstates revenue requirement, and therefore is not an acceptable method for valuing rate base.

Q. IS THERE SUCH THING AS A PROXY RATE BASE CALCULATION?

A. No. A proxy rate base calculation is a term that PGE invented, whereas I referred to it as a hybrid calculation. Regardless of the name applied to the method, it is not a standard rate base valuation method. When PGE states that it is using the January 1, 2024 in-service date as a proxy, it is not clear what that date is a proxy for. Notwithstanding, the practical effect of changing the modeled in-service date for new capital is that the rate base valuation period is different depending on when the plant is placed into service. In **Figure REB-1**, below, I compare the rate base valuation periods PGE is proposing with those recommended by AWEC and Staff.

Figure REB-1
Comparison of Proposed Rate Base Valuation Periods



By changing the in-service date for all plant in-service, plant placed in-service in each month of 2024 will have a different effective rate base valuation period. Consider for example, plant placed in-service in December 2024. PGE's proxy approach, which models the plant to be placed in-service on January 1, 2024, will have the effect of calculating the expected depreciation expenses from those additions over the 12 months ending December 2025. The result is a rate base valuation as of December 2025. This valuation period, however, is not consistent with the treatment of existing plant-in-service as of December 31, 2023. For the existing plant-in-service, depreciation expenses are calculated over the 12 months ending December 2024 and the rate base valuation is made as of December 31, 2024. This is unreasonable accounting because both the rate base and the depreciation expense of the existing plant will decline if measured over the same period as the December plant additions—i.e. January 2025 through December 2025.

Q. HOW DOES PGE'S HYBRID/PROXY APPROACH OVERSTATE REVENUE REQUIREMENT?

A. If the existing plant depreciation expense and rate base were measured over the 12 months ending December 2025 in a manner consistent with the December 2024 plant additions, it would produce a materially lower rate base and depreciation expense. More accumulated depreciation would accrue on the existing plant over the 12 months ending December 2025, resulting in a reduction to net plant and a reduction to rate base. Further, since PGE uses net plant balances instead of gross plant balances, calculating the depreciation expenses for existing plant over the 12 months ending December 2025 will also produce a reduction to depreciation expenses. Thus, by measuring plant balances over inconsistent periods using the proxy/hybrid approach, PGE is able to get the best possible revenue requirement outcome. PGE gets higher depreciation expense on new plant additions, without recognizing the lower depreciation expense and lower rate base valuation for the existing plant. This is not a reasonable outcome.

Q. IS PGE'S METHOD MEASURING A 2025 RATE BASE?

A. No. Later in testimony, PGE attempts to justify this inconsistent treatment by stating that its method is attempting to measure test year (calendar year 2025) rate base.[17] This is a somewhat curious assertion since PGE has explicitly rejected Staff's recommendation to calculate the plant balances consistently over the 2025 test year. PGE criticizes Staff's approach and defends the inflated proxy/hybrid method on the basis that its revenue requirement does not consider capital additions in 2025. Yet, it is not valid to justify the use of an inflated and inconsistent rate base on the basis that it is a workaround to avoid the effects of the Oregon used and useful requirement. If the only reason for using an inconsistent rate base is that it results in a rate base that captures some of the revenue requirement impacts of plant that will not be used and useful by the rate effective date, then the approach is not consistent with the used and useful standard.

Q. DO YOU SUPPORT STAFF'S 2025 AMA APPROACH?

A. No. While it is more consistent than PGE's hybrid approach, I do not agree with Staff's approach because Staff did not consider the reduction to depreciation expenses that will result from the incremental depreciation that it calculated over the 2025 period. Since PGE uses the unique approach of calculating depreciation expenses using net plant balances, Staff's incremental accumulated depreciation calculation will have a materially downward impact on PGE's depreciation expenses. Calculating that depreciation expense would require the use of PGE's depreciation software which is something that is not available to the parties.

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[17] *Id.* at 23:6-8.

Accordingly, I continue to support the use of the 2024 AMA rate base calculation because it is more consistent with the rate base model that PGE submitted with its filing.

b. <u>Cost of Removal</u>

Q. WHAT RECOMMENDATION DID YOU MAKE REGARDING COST OF REMOVAL IN YOUR OPENING TESTIMONY?

A. I raised a concern that PGE's cost of removal accounting is resulting in overstated depreciation expenses.

Q. HOW DID PGE RESPOND?

A. PGE responded that its method "is consistent with the parameters adopted within PGE's depreciation study (Docket No. UM 2152) through Commission Order No. 21-463."[18] PGE also provided numerical examples demonstrating the way that it was intending to calculate cost of removal expenditures.[19]

Q. DID THE COMMISSION ORDER 21-243 IN DOCKET UM 2152 SPECIFY HOW COST OF REMOVAL EXPENDITURES ARE TO BE CONSIDERED?

A. No. Fundamental to this issue is the fact that PGE calculates depreciation expenses using the *net* plant balance as the depreciation base, rather than the *gross* plant balances. PGE's unique method, however, was not clearly specified in Commission Order 21-243. The net plant depreciation rates that PGE calculated use "future accruals" as the denominator for the depreciation rate calculation and those future accrual rates do include a provision for negative net salvage and cost of removal expenditures. This was not disputed in my testimony. My concern was that the rate base computer program used to develop depreciation expense was not giving credit for reserves accumulated with respect to cost of removal expenses. The cost of

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18 *Id. at* 26:11-12.
19 *Id.* at 27, Table 4

removal parameters were hidden in the report that PGE provided to support its depreciation expense, and it appeared from my calculation that the reserves were not being considered.

Q. DID YOU ASK PGE TO PROVIDE THE HIDDEN DATA USED TO CALCULATE THE COST OF REMOVAL DEPRECATION EXPENSE?

A. Yes. In AWEC Data Request 156, PGE provided the hidden cost of removal parameters used in its model, and I was able to confirm that the reserves were being deducted in the calculation of the cost of removal depreciation base. Therefore, I am withdrawing this recommendation in this case.

Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING THIS ISSUE?

A. PGE's calculation of depreciation expense using the net plant balances, as opposed to the gross plant balances, is problematic. It results in unstable depreciation expense levels and requires a number of opaque assumptions regarding parameters such as cost of removal and salvage. In the future, I recommend that PGE transition to using gross plant as the deprecation base for depreciation expense, which is the approach used by every other utility that I am aware of. This will avoid the complicated gymnastics and computer modeling that go into PGE's depreciation calculations.

c. <u>Capital Attestation</u>

Q. DID PGE AGREE TO PERFORM A CAPITAL ATTESTATION IN THIS CASE?

A. Yes. PGE stated "[w]hile PGE does not agree with the necessity of an attestation process, PGE is amenable to discussing a fair and balanced attestation process for a subset of its capital additions in this docket."[20]

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20 *Id.* at 64:4-6.

Q. WHAT PARAMETERS DID YOU PROPOSE?

A. With the exception of those projects having a capital cost of less than $1,000,000, I recommend the capital attestation be performed on a project-by-project basis. I recommended that two attestations occur. First, I recommended a provisional capital attestation filing occur approximately 15 days before the rate effective date, although this may depend on the timing of the Commission's final order. That filing would incorporate all plant additions up to that date and, based on the best information available to PGE at that time, would evaluate the actual capital expected to be placed into service as of the January 1, 2025 rate effective date. Second, I recommended a final capital attestation occur 45 days after the rate effective date. The second filing would be made after PGE has finalized its transfers to plant accounting for 2025 and would explain any variances between its provisional capital attestation filing and the actual plant placed into service.

Q. DID PGE AGREE WITH THESE ATTESTATION PARAMETERS?

A. No. PGE provided an alternative proposal, although it is apparent that the alternative is not workable. The parameters PGE provided are as follows:

- Include capital projects and amounts included in PGE's May 2024 rate case filing update and reviewed in the evidentiary process.
- Only include projects placed in service between October 1 and December 31, 2024.
- Include a $5 million forecast project cost threshold on a project-by-project basis for inclusion in the process.

- Include a one-time attestation filing and rate adjustment 45 days after the rate. effective date.
- The attestation be performed on a portfolio basis with the ability to net over spending on a one project with underspending on another.[21]

Q. DO YOU SUPPORT BASING THE ATTESTATION ON THE MAY 2024 UPDATE?

A. Since PGE quantified the impacts of this capital forecast in its Reply Testimony, AWEC does not oppose this aspect of its proposal. Notwithstanding, AWEC opposes further updates to the capital forecast, as parties will not have the opportunity to review or respond to the reasonableness of future updates.

Q. IS IT REASONABLE TO ONLY INCLUDE PROJECTS PLACED IN SERVICE BETWEEN OCTOBER 1 AND DECEMBER 31, 2024?

A. No. PGE provides no support for this recommendation other than its conclusory assertion that it would constitute a " fair and balanced attestation approach."[22] Yet, there is nothing fair or balanced with excluding projects placed into service prior to October 1, 2024, from the capital attestation process. The purpose of the attestation is to ensure, consistent with Oregon policy, that all plant included in rates is used and useful and meets the standard of prudence. These policies apply equally whether the plant is placed into service prior to October 1, 2024, or after.

Q. IS IT REASONABLE TO ONLY INCLUDE PROJECTS WITH A CAPITAL BUDGET IN EXCESS OF $5 MILLION IN THE ATTESTATION?

A. No. This will subject only a portion of the capital included in PGE's filing to a project specific capital review. AWEC believes that if forecasts are to be used in ratemaking, utilities need to

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[21] *Id.* at 65:6-14.
[22] *Id.* at 64:7-14.

be accountable for their forecast assumptions, and this includes projects with a capital budget of less than $5 million.

Q. WAS PGE ACTUALLY PROPOSING A PROJECT-BY-PROJECT REVIEW FOR CAPITAL PROJECTS EXCEEDING $5 MILLION?

A. PGE's testimony on this point is contradictory. First it states that it is willing to perform a project-by-project review for projects exceeding $5 million.[23] A few sentences later it states that the review would "include both over and under budget amounts."[24] While the precise meaning of this second provision is not entirely clear, PGE appears to be suggesting that it should be allowed to use underspending on one project to offset overspending on another. If this understanding is correct, PGE is not proposing a project-by-project review at all. If PGE is proposing to net over and underspending between projects, that is not a project-by-project review. Such a proposal is a portfolio review. Thus, PGE's testimony on this point is unclear.

Q. DO YOU SUPPORT A PORTFOLIO REVIEW?

A. For small projects, with capital budgets less than $1 million, a portfolio review is the only practicable way to review these projects. For other projects, such as a substation or other major investments, PGE needs to be held accountable for its budget estimates. Consider the following example. Say PGE were to spend $20 million on a substation, Substation A, that was originally supposed to cost only $4 million. Under my recommended approach, PGE would only be able to include the $4 million in rates for Substation A in this case regardless of its actual spending on other projects. PGE would not, however, be precluded from including the $16 million in overspending in a later rate case. Correspondingly, say there was also a $16

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[23] *Id.* at 65:9-10.
[24] *Id.* at 65:13-14.

million substation, Substation B, which PGE was unable to place in service by the rate effective date. If a portfolio review were to be used, PGE would still be able to recover on the combined $20 million of capital costs budgeted for Substation A and Substation B, even though PGE dramatically overspent on Substation A and did not place Substation B into service. This is not a reasonable outcome. Underspending or under-execution of one project does not justify overspending on another. Accordingly, a project-by-project review is the most equitable way to do a capital attestation, with a focus on the greatest number of projects possible.

Q. IS IT REASONABLE TO PERFORM THE ATTESTATION 45 DAYS AFTER THE RATE EFFECTIVE DATE?

A. No. My approach would require PGE to provide two attestations, a provisional attestation immediately prior to the rate effective date and a final attestation after its books have closed. PGE's proposal to perform just a single attestation 45 days after the rate effective date is problematic because it is possible that rates will include projects that were not used and useful for the 45 days between the rate effective date and the final attestation. Under my approach, the likelihood that rates will include projects that were not used and useful will be minimized because PGE will have a good idea of the capital that will be transferred to plant around the time of the rate effective date, even though the accounting will not be finalized until a few weeks later.

IV. OPERATING EXPENSES

a. Non-Labor O&M Expense

Q. WHAT DID YOU RECOMMEND IN OPENING TESTIMONY WITH RESPECT TO NON-LABOR O&M EXPENSE?

A. In Opening Testimony, I reviewed PGE's actual non-labor O&M expense incurred in 2023. I compared those expenses to PGE's budgeted expenses for 2025. I demonstrated that, relative to its actual costs, PGE was proposing a 31% increase to non-labor O&M expense through its 2025 budget. I reviewed PGE's proposal with respect to each of the functional categories of O&M expense and, based on the information PGE provided in testimony and discovery, I found that much of this variance was unexplained and unjustified. Accordingly, when developing my revenue requirement recommendation, I reduced non-labor O&M expense by $22,540,807 relative to the levels PGE had included in its filing.

Q. HOW DID PGE RESPOND?

A. In general PGE found that it was inappropriate for AWEC to consider PGE's actual non-labor O&M at all. PGE alleged that AWEC was bound to form its recommendation in this case starting with the budget it used in Docket No. UE 416, stating the following:

> As a party and signatory to applicable settlement agreements in UE 416, AWEC is aware of the amounts approved for recovery in 2024. By asking PGE to use 2023 as the basis for rate making in this case, instead of 2024 amounts already established through a rate making process, AWEC is relitigating 2024 and the results of UE 416.[25]

As discussed above, the resolution of UE 416 through settlement in no way resulted in Commission approval of PGE's 2024 budget as just and reasonable. Similarly, nothing that was agreed in the 2023 GRC stipulations prevents AWEC from reviewing PGE's actual costs

[25] PGE/1400, Mersereau–Van Oostrum–Batzler/28:17-21.

and making recommendations based on its review in this proceeding. Indeed, I made similar observations about PGE's budget in the 2023 rate case,[26] and PGE's revenue requirement was decreased in the stipulations resolving that case, in which no party agreed to the reasonableness of any methodology to get to the final results.

Q. DID PGE PROVIDE ACTUAL COST DATA IN ITS OPENING TESTIMONY?

A. PGE's Opening Testimony did include some of the actual cost data from 2021-2023.[27] There was no explanation, however, as to why there were major differences between the actual costs and the proposed 2025 budget. This was the type of analysis that I attempted to do in my Opening Testimony, though an outside reviewer is always at a disadvantage because they have limited information. Compounding this informational asymmetry, when I conducted discovery on these amounts, the data PGE provided in response "inadvertently contained incorrect information."[28] I would probably characterize it as being entirely erroneous. It is necessary to point this out because it is infinitely more challenging for intervenors to determine and explain why costs are changing relative to PGE's actual costs given that intervenors do not have access to the relevant data, other than through the discovery processes, and the data that was provided contained inconsistencies and errors. This is why it is necessary for PGE, not ratepayers, to provide evidence to support its cases, rather than merely pointing back to the settled results of its prior case and providing erroneous information through the discovery process.

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26 Docket UE 416, AWEC/200, Mullins/12.

27 *See* PGE/1400, Mersereau–Van Oostrum–Batzler/28:8-10

28 *Id*. at 28:11.

Q. HOW DID PGE RESPOND TO YOUR RECOMMENDATION ON DISTRIBUTION NON-LABOR O&M EXPENSE?

A. In my Opening Testimony, I noted the major increase to distribution non-labor O&M expense. Much of this increase could be explained by heightened routine vegetation management ("RVM") expense. I recommended that PGE hold non-labor RVM expense flat between 2024 and 2025, or if not possible, find areas to prioritize spending in order to achieve those reductions. In response, PGE states that "AWEC was part of and signatory to the settlement agreement that set the 2024 level of RVM spending and recognized the need for that work."[29] PGE appears to believe that AWEC is bound to support its 2025 level of RVM spending because of the settlement that was reached in the 2023 GRC.

Q. IS THE SETTLEMENT IN THE 2023 GRC RELEVANT TO THE RVM EXPENSE INCLUDED IN THIS DOCKET?

A. No. The RVM expense in the 2023 GRC was resolved through a black box adjustment, which reduced PGE's O&M expense relative to its filed case. AWEC made no representation to the reasonableness of the settled RVM expenses in the 2023 GRC. Further, PGE's response misses the point. I had also recommended PGE find areas to prioritize its spending considering the higher expense. PGE's RVM spending has increased, but that does not mean PGE should not be searching for opportunities to prioritize other expenditures to offset those major increases. In the face of such dramatic increases to distribution non-labor O&M, it is reasonable for PGE to identify further areas to reduce its budget.

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[29] PGE/1600, Cloud–Albi–Putnam/18:19-20.

Q. HOW DID PGE RESPOND TO YOUR RECOMMENDATIONS ON GENERATIONS AND POWER OPERATIONS NON-LABOR O&M?

A. In my Opening Testimony, I noted that non-labor O&M expenses for generation and power operations increased collectively by approximately 24.9% relative to 2023 levels. Some of this increase was explained by Clearwater O&M expenses and changes to the major maintenance accrual, while the remainder was not. Accordingly, I recommended applying inflationary escalation to the remainder. PGE states that AWEC did not "challenge any specific increase to generation O&M non-labor."[30] PGE continues, stating that "AWEC makes no specific adjustments or decreases to generation O&M non-labor but rather recommends a general, unsupported adjustment that does not consider that PGE's 2024 budget is based upon the Commission approved outcome of UE 416."[31]

Q. DID PGE MAKE SPECIFIC ADJUSTMENTS TO GENERATION NON-LABOR O&M?

A. No. PGE's assertion that AWEC did not challenge any specific adjustments is confuted by the fact that PGE did not propose any specific adjustments to its 2023 actual costs. PGE's proposal was based on its budget, not based on adjustments to the 2023 actual costs. Asserting that AWEC's approach, which relies on actual historical costs, is an unsupported adjustment, implies that PGE's approach, which does not consider its actual costs at all, is even less reasonable. In reality, it is PGE's approach that is unsupported by evidence.

30 PGE/1700, Powell–Clark/8:3-6.

31 *Id.*

Q. DID PGE IDENTIFY ANY ERRORS IN YOUR CALCULATED ESCALATION?

A. Yes. PGE notes that my analysis included inflated MMA expenses[32] and based on my review of their response, I agree. In addition, the calculation of the 2025 Clearwater non-labor expense inadvertently excluded certain line items. These changes result in an approximate $21,738 reduction of my recommendation. The corrected calculation is detailed in **Table REB-2**, below. I have considered this change in my revised revenue requirement calculation in Exhibit AWEC/301.

Table REB-2
Corrected Generation and Power Operations Non-Labor O&M Increase – Whole Dollars

	2023	2025	Delta	%
Power Ops & Gen	67,621,032	84,423,119	16,802,088	24.8%
Clearwater		(5,466,348)	(5,466,348)	NMF
Maj. Maint	(18,589,778)	(21,683,043)	(3,093,265)	16.6%
Remaining	49,031,254	57,273,728	8,242,474	16.8%
Proposed w/ Inflation	49,031,254	51,482,817	2,451,563	5.0%
		Difference	**5,790,911**	

Q. HOW DID PGE RESPOND TO YOUR RECOMMENDATIONS ON CUSTOMER SERVICES AND ACCOUNTS?

A. PGE acknowledges that it "did not submit Customer Service opening testimony in this proceeding."[33] Notwithstanding, PGE's view was that it did not need to submit any evidence regarding the reasonableness of those costs because of "the essentially flat nature of Customer Service O&M and no material or notable new requests."[34]

32 PGE/1700, Powell–Clark/9:4-10.
33 PGE/1500, McFarland-Lawrence/7:12-14.
34 *Id.* at 7:13-14

Q. WERE PGE'S CUSTOMER SERVICE AND CUSTOMER ACCOUNTS COSTS "ESSENTIALLY FLAT"?

A. No. PGE forecasts a major increase to the non-labor O&M expense for these accounts relative to 2023 levels. By its own numbers, the non-labor O&M for customer accounts and customer services increased by $7.9 million, or 43%.[35] Regardless of what PGE had assumed in its prior rate case, this increase requires a detailed explanation. However, PGE's only explanation for the variance is "normal cost escalations."[36] This is not an adequate explanation for the major increase PGE is proposing. If it were, PGE would find AWEC's recommendation, which did assume normal cost escalation, to be reasonable.

Q. DID PGE PROVIDE ANY MEANINGFUL RESPONSE TO YOUR RECOMMENDATION REGARDING ADMINISTRATIVE AND GENERAL NON-LABOR O&M EXPENSES?

A. No. Other than reiterating its position that the 2024 budget included in the 2023 rate case is reasonable, addressed above, PGE does not provide any meaningful response on my recommendation for administrative and general non-labor O&M expense.

b. <u>Labor Expense</u>

Q. WHAT WAS YOUR RECOMMENDATION WITH RESPECT TO LABOR EXPENSES?

A. I recommended using the 2023 actual FTE levels, with known and measurable wage rate increases through 2025. This resulted in an overall 7% increase to the 2023 wages and salaries levels incurred in 2023, compared to the 20% increase PGE had proposed in its filing. Relative to PGE's proposed budget, this recommendation resulted in a $34,238,543 reduction in labor expense.

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35 *Id.* at 7, Table 1.

36 *Id.* at 10:3.

Q. HOW DID PGE RESPOND?

A. PGE stated that my approach holds PGE "to a single point in time, with no consideration for new and incremental work PGE encounters to support safety, compliance, and customer needs that result in an increased reliance on contract labor."[37]

Q. IS THAT STATEMENT ACCURATE?

A. No. First, AWEC did apply wage rate escalation to the labor expense amount. Second, while PGE has been budgeting for higher headcounts, those budgets have been inaccurate. As I demonstrated in Table 10 of my Opening Testimony, PGE's headcount actually declined in 2023, even though the budget in the 2024 GRC had forecast a 220 full-time equivalent increase. My analysis also considers the higher historical level of contract labor incurred in 2023. Thus, if it were necessary for PGE to hire more in-house employees and reduce contract labor, that would be captured in my analysis.

Q. IS PGE ONLY PROPOSING A 4.3% GROWTH TO LABOR OPERATING EXPENSES?

A. PGE states that its labor expense proposal results in "4.3% compound annual growth rate from 2023 to 2025."[38] This statement is misleading, however, because it appears to include both labor O&M expense, as well as capitalized labor expense. My analysis, however, focused solely on the O&M portion of labor expenses, which demonstrated that the increase PGE is proposing is significantly higher than what it implies in its reply.

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37 PGE/1400, Mersereau–Van Oostrum–Batzler/10:10-12

38 *Id.* at 5:13-14.

c. Revolver Fees

Q. HOW DID PGE RESPOND TO YOUR RECOMMENDATION TO REMOVE REVOLVER FEES FROM REVENUE REQUIREMENT?

A. PGE states that "[r]evolver fees are appropriately included in PGE's revenue requirement, pursuant to a stipulated agreement adopted as part of Commission Order No. 10-410."[39] PGE states that the costs are already "within PGE's results of operations."[40] Finally, PGE believes that the costs are appropriate because the "allow PGE long-term access to a revolving line of credit,"[41] even though "[a]ny actual debt and interest from this facility, just like any other types of short-term debt, is not included in PGE's revenue requirement."[42]

Q. DID COMMISSION ORDER NO. 10-410 ADDRESS REVOLVER FEES?

A. No. In AWEC Data Request 170, PGE was requested to identify where in Commission Order 10-410 revolver fees, margin net interest, and broker fees were addressed. In response, PGE stated "[t]he specific provision of the stipulation resolving the treatment of revolver fees, margin net interest, and broker fees can be viewed in Commission Order No. 10-410, Appendix A at Term III."[43] Order 10-410 was issued in Docket UE 215, PGE's 2010 Annual Update Tariff ("AUT") proceeding, and the referenced term relates to the reclassification of certain chemical costs from base rates to the AUT. I have also been unable to identify any docket where the going forward treatment of these items has been explicitly addressed. Thus, PGE's assertion that these items have been resolved as a part of a settlement stipulation is misleading at best.

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39 PGE/1400, Mersereau–Van Oostrum–Batzler/43:18-19.

40 *Id.* at 43:20.

41 *Id*. at 45:19

42 *Id.* at 45:14-15.

43 AWEC/302 (PGE's Resp. to AWEC DR 170)

Q. WHAT INTEREST RATES DOES PGE RECEIVE FOR SHORT-TERM DEBT INSTRUMENTS THAT ARE NOT INCLUDED IN REVENUE REQUIREMENT?

A. PGE provided the interest rates in response to AWEC Data Request 176. As can be seen in that response, the interest rates on the revolver lines of credit are very low, ranging from 0.0% to 1.5%. Ratepayers don't receive the benefit of short-term debt in base rates, and therefore should not have to pay for the fees associated with the debt. The revolver fees themselves are akin to interest on the instruments, and in fact, PGE accounts for the revolver fees as short-term interest expense. Interest is a cost of capital item. It is not accurate or appropriate to include additional short term interest expense in revenue requirement in addition to the rate of return earned on rate base.

Q. ARE THESE FEES ALREADY CAPTURED IN INTEREST EXPENSE?

A. Yes. In response to AWEC Data Request 175, PGE provided the transactional data supporting its revolver fees over the period 2020 through 2023. From that response, it can be observed that PGE follows the FERC method which records revolver fees in account 186 as a deferred debit, and then amortizes the cost of the revolver fees to short-term interest expense in FERC account 431, other interest expense. The cost of this interest expense, however, is already recovered through Allowance for Funds Used During Construction ("AFUDC"). PGE uses average interest expense to calculate the interest on short-term debt for purposes of its AFUDC calculation. Ratepayers do not receive the benefit of short-term debt in general base rates, and therefore, including the interest expense associated with revolver fees in revenue requirement is not appropriate.

d. Margin Net Interest

Q. HOW DID PGE RESPOND TO YOUR RECOMMENDATION TO EXCLUDE ITS MARGIN NET INTEREST ADJUSTMENT FROM REVENUE REQUIREMENT?

A. Similar to revolver fees, PGE cited to the same Commission Order No. 10-410 from the 2010 AUT as its reasoning for including Margin Net Interest in revenue requirement. As noted, that Order had nothing to do with margin net interest and is therefore irrelevant. PGE also stated that "PGE must maintain immediate liquidity of amounts and cannot use these funds for any other purpose,"[44] and therefore, including a provision for interest on the margin balances is appropriate.

Q. ARE THE ALLEGED MARGIN NET INTEREST BALANCES ACTUALLY BEING HELD IN A LIQUIDITY CONSTRAINED ACCOUNT?

A. No. In AWEC Data Request 177, AWEC requested that PGE provide the account statements supporting the interest expense incurred with respect to these alleged funds. In its response, PGE was unable to provide any account statements because there are no such accounts. PGE is not actually holding these alleged funds in a liquidity restricted account as it has represented. Its statements regarding the liquidity of the funds are therefore false.

Q. IS PGE ACTUALLY INCURRING INTEREST EXPENSE WITH RESPECT TO ITS COMMODITY MARGIN POSITIONS?

A. No. In Confidential Attachment 177-B, PGE provided all interest income and expense associated with margin funds over the period December 2020 through June 2024. I have attached that response as **Confidential Exhibit AWEC/104**. In 2023 and 2024 (to date) margin net interest resulted in overall interest revenues to ratepayers. Thus, PGE's assertion that this represents a cost to include in revenue requirement is concerning. As can be seen

[44] PGE/1400, Mersereau–Van Oostrum–Batzler/46:19-20

from the response, the interest expense and income represent accounting entries associated with payments to, and from, energy commodity counterparties. They are not based on restricted funds held in a specific account. Accordingly, to the extent that PGE is holding these funds, it is receiving a cash benefit from holding the funds.

Q. HOW THEN DID PGE CALCULATE ITS ESTIMATE OF MARGIN NET INTEREST?

A. PGE's calculation was provided in Confidential Attachment A in response to AWEC Data Request 177. While detail behind the balances was not provided, it appears that the balance is based on letters of credit outstanding in 2023. A letter of credit is not a financing obligation, however. It is an instrument issued by a bank, guaranteeing a payment in lieu of posting collateral with the counter party. Generally, interest expense is not paid on a letter of credit. Notwithstanding, PGE imputed an interest expense on the balances using its authorized rate of return. In other words, PGE is attempting to earn its rate of return on letters of credit. This, however, is inappropriate as a letter of credit does not represent a cash outlay, nor the type of used and useful utility asset on which PGE is authorized to earn its rate of return.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATION.

A. Not only does PGE's calculation violate the used and useful principle by proposing to earn its return on letters of credit, but it is inconsistent with the fact that PGE has actually received net interest income with respect to its commodity margins. Accordingly, I continue to recommend this charge be removed from revenue requirement.

e. Broker Fees

Q. HOW DID PGE RESPOND TO YOUR RECOMMENDATION TO REMOVE ITS BROKER FEES ADJUSTMENT FROM REVENUE REQUIREMENT?

A. PGE clarified that these amounts represent fees paid by "power operations organization as well as fees from clearing brokers and exchanges that facilitate trades."[45] It explained that these fees "benefit customers by helping to lower PGE's net variable power costs."[46]

Q. IS IT NECESSARY TO INCLUDE THESE AMOUNTS AS A SEPARATE ADJUSTMENT TO REVENUE REQUIREMENT?

A. No. In response to AWEC Data Request 178, PGE confirmed that these amounts are recorded to Account 557. My confusion with respect to these fees was due to the fact that PGE is already recovering the costs associated with broker fees in Account 557. In its revenue requirement calculation, PGE applied the $133,318 adjustment as an increase to its administrative and general expenses, even though based on PGE's Reply Testimony, these amounts are related to power operations expense and have nothing to do with administrative and general expenses.

Q. ARE THE BROKER FEES ALREADY CONSIDERED IN ACCOUNT 557?

A. Yes. PGE provided the transactional data supporting the amounts in response to AWEC Data Request 177. From that response, PGE records broker fees as an outside services expense. My recommended non-labor O&M expense for power operations already includes these outside service expenses. Accordingly, a separate revenue requirement adjustment is not necessary for broker fees. Similarly, PGE's own budget for 2025 included a provision in Account 557 for outside services expenses, which is where the cost of broker fees is recorded.

45 *Id*. at 47:12-13
46 *Id*. at 48:8-9.

Thus, broker fees are already included in PGE's proposed budget as well, requiring no separate revenue requirement adjustment to its own budget.

f. Directors' Fees and Expense

Q. WHAT WAS YOUR RECOMMENDATION RELATED TO DIRECTORS' FEES AND EXPENSE?

A. Recognizing directors' fiduciary duty to shareholders, I recommended that directors' fees be split 90/10 between shareholders and ratepayers. Further, I recommend that no directors' stock compensation be considered in revenue requirement.

Q. HOW DID PGE RESPOND?

A. PGE stated that "Board members bring customer value through oversight and governance, strategic direction, and their wealth of expertise and experience that they bring to decision making."[47] PGE also stated that this adjustment is "duplicative" of the non-labor O&M adjustment detailed above.[48]

Q. DO YOU DISPUTE THE QUALIFICATIONS OF PGE'S DIRECTORS?

A. No. The qualifications of PGE's directors are not in dispute. The issue I raised concerns the interest of shareholders versus the interest of ratepayers. Directors are fiduciarily obligated to act in stockholders' best interests. Accordingly, it is appropriate for shareholders to bear some of the costs associated with retaining directors. PGE does not dispute that directors have a fiduciary duty to shareholders. It is an accepted regulatory framework to split the cost of directors' fees and expenses between shareholders and ratepayers, one that has been used for

[47] *Id*. at 29:5-7.
[48] *Id*. at 29:10-14.

many decades in other states, such as Washington. Accordingly, I continue to support my recommendation.

Q. IS THIS RECOMMENDATION DUPLICATIVE OF YOUR NON-LABOR O&M ADJUSTMENT?

A. No. My non-labor O&M adjustment only considers rate escalation on costs that were incurred in calendar year 2023. I did not separately remove the director's fees and expense when making that adjustment. The adjustment removing the shareholder portion of directors' fees and expenses is in addition to my non-labor O&M adjustment.

g. Stock Incentives

Q. WHAT WAS YOUR RECOMMENDATION RELATED TO STOCK INCENTIVES?

A. I recommended that all stock incentives be removed from revenue requirement. Stock incentives are not an expenditure to the utility but reflect the issuance of new stock instruments to employees. Therefore, they do not represent a cost of providing utility services that is appropriate to include in revenue requirement. From a financial accounting perspective, the accrual associated with stock incentives is a form of equity dilution, which is not a cost of providing utility service. Further, because stock incentives are specifically designed to align the interest of employees with the interest of shareholders, it is doubly necessary to exclude them from utility rates.

Q. HOW DID PGE RESPOND?

A. PGE did not specifically address whether it is appropriate to include the cost of equity dilution from the issuance of stock compensation in a revenue requirement calculation. Notably, the accounting for many items is different in a revenue requirement calculation than it is under Generally Accepted Accounting Principles ("GAAP"). Consider, for example, mark-to-market calculations associated with power and gas commodities or contingent liabilities. These types of accrual adjustments, which do not represent cash outlays, are included in GAAP financial statements but are not considered in a revenue requirement calculation. The treatment of stock compensation is no exception. Namely, GAAP is designed to determine the periodic income and/or loss to shareholders, not the cost of providing utility services. The dilution of shareholders' shareholdings from the issuance of stock to directors and employees reduces the value of their stock, and therefore, is a viable cost from a GAAP perspective. The purpose of revenue requirement, however, is different. It is designed to ensure that the utility has sufficient revenues to recover its costs and earn a reasonable return on its investment. When a utility issues stock to employees, no additional revenues are required to cover the costs of issuing the stock. PGE just issues the stock. If revenues were recovered for stock issued to employees, PGE would be recovering the cost of an expenditure that it does not make.

Q. HOW DID PGE RESPOND TO THE CONCERN REGARDING THE INCENTIVES PROMOTED THROUGH STOCK COMPENSATION?

A. PGE stated that it "reject[s] the idea that the interests of PGE shareholders and our customers are diametrically opposed."[49] In terms of revenue requirement, however, which is the subject at issue in this case, the interest *are* diametrically opposed. Shareholders are interested in more revenues; ratepayers are interested in less. It is up to the Commission to strike the balance. If the interest were the same, then PGE's shareholders would have no misgivings about removing the stock compensation from revenue requirement. While having a financially healthy company is certainly a valid employee interest, stock compensation is not necessary to meet

[49] *Id.* at 17:5-6.

that goal. Annual monetary incentives with specific goals tied to financial health would provide a greater incentive in that regard, without misaligning the interest of employees and ratepayers.

h. <u>Incentive Overheads</u>

Q. WHAT DID YOU RECOMMEND WITH RESPECT TO PGE'S ADJUSTMENT FOR INCENTIVES OVERHEADS?

A. I noted that PGE reduces the allocation credit associated with incentives overheads, but did not reduce the incentive overheads themselves. Therefore, I recommended the reduction to the allocation credit amount be removed from revenue requirement.

Q. HOW DID PGE RESPOND?

A. PGE stated that it is not capitalizing incentives, and that therefore, the adjustment to the allocation credit should remain.[50]

Q. DO YOU AGREE?

A. No. There is a material amount of departmental incentives overheads, which were not allocated to capital or considered below the line. PGE admits this.[51] Through its adjustment, PGE is increasing revenue requirement for to one side of the equation—which it refers to as the accounting transfer department—but not reducing it for the other, the incentive overheads allocated to the departments. Further, while PGE states that it has allocated these amounts to capital, it correspondingly states that it has, consistent with the agreement in UE 283, not capitalized these amounts. Since the amounts are not being capitalized, there can be no costs being allocated to capital to begin with. Thus, I continue to support my original adjustment.

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[50] *Id.* at 18:17-22.
[51] *Id.* at 18:5-11.

V. TAXES

Q. ARE THERE ANY TAX RECOMMENDATIONS THAT PGE ACCEPTED IN ITS REPLY TESTIMONY?

A. Yes. PGE accepted my recommendations related to the Boardman Cost of Removal ADIT and Accrued Incentives ADIT. PGE did not, however, accept my other tax recommendations, which I discuss below.

a. <u>Production Tax Credit Carryforwards</u>

Q. WHAT DID YOU RECOMMEND IN OPENING TESTIMONY WITH RESPECT TO PRODUCTION TAX CREDIT CARRY FORWARDS?

A. I recommended that all production tax credit ("PTC") carryforwards be removed from revenue requirement. I noted that PGE has adopted a policy of selling all new PTC carryforwards, which, over time, will reduce PGE's PTC carryforward balance to zero. When PTCs are sold, they are sold at a discount and ratepayers are paying the cost of the discount through Schedule 105. The reason for making the sales, however, is that there is a corresponding benefit through the reduction to the ongoing PTC carryforward balance included in rate base. If ratepayers are to fund the cost of selling PTC carryforwards, it is imperative that they also receive the benefit of the reduction to rate base.

Q. HOW DID PGE RESPOND?

A. In Reply Testimony, PGE agreed that because of the ongoing PTC sales, the balance will decline materially. Accordingly, it proposed to reduce the balance from $89.1 million to $35.7 million based on its estimated balance as of December 31, 2024.[52]

[52] PGE/1300, Batzler-Meeks/37, Table 6.

Q. DO YOU AGREE WITH THE INCLUSION OF THE AMOUNTS PGE HAS PROPOSED?

A. No. I continue to recommend that PTC carryforwards be removed in their entirety from revenue requirement. Since PGE is passing through the cost of selling PTCs on a dollar-for - dollar basis, without recognizing the reduction in the PTC carryforward balance that results from the sales in between rate cases, including any balance in base rate revenue requirement is unfair to ratepayers. While only new credits can be sold, these sales free up existing credits that can be used to offset taxable income in the rate effective period, and PGE demonstrated that it expected the balance to decline to zero in 2025.

Q. ARE THERE OTHER WAYS TO PROVIDE RATEPAYERS THE BENEFIT OF THE DECLINING PTC CARRYFORWARD BALANCE BETWEEN RATE CASES?

A. Yes. If the Commission does not accept my recommended approach, an alternative recommendation would be to suspend the collection of the discount on monetized PTCs through Schedule 105. Ratepayers should not have to pay for the discount on PTCs if they are not receiving the corresponding rate base reduction associated with the sales.

Correspondingly, if PGE is recognizing the benefit of the declining PTC carryforward balance between rate cases, it should pay the cost of the discount. The rate base impacts are generally greater than the discounts, which is why these sales are being pursued. Therefore, it is reasonable for PGE to bear the cost of the sales transactions if it is also recognizing the savings in terms of rate base. Finally, another alternative approach would be to defer the benefit of the PTC carryforward reductions associated with PTC sales between rate cases.

b. Emergency Wildfire and Storm Deferrals

Q. WHAT TAX ISSUE DID YOU IDENTIFY RELATED TO THE EMERGENCY WILDFIRE AND STORM DEFERRALS IN OPENING TESTIMONY?

A. Because PGE was able to deduct the costs associated with the emergency wildfire and storm deferrals at the time the expenditures were made, they represented a major tax benefit to PGE. When these expenses were deducted, they reduced PGE's tax liability materially and correspondingly increased its ongoing carryforward balances. I recommended that the ADIT associated with these expenditures, which PGE recognizes on its books, be considered in rate base.

Q. HOW DID PGE RESPOND?

A. PGE merely points out that these valid tax benefits are not considered in revenue requirement and states that considering the tax benefits would be inconsistent with the amounts deferred and amortization of amounts has been previously ruled upon by the Commission.[53]

Q. WERE THE ADIT IMPACTS ASSOCIATED WITH THE DEFERRAL ADDRESSED IN COMMISSION ORDER NO. 22-435?

A. No. Notably, PGE does not dispute that there were tax benefits associated with the expenditures that were deferred. The tax benefits are recorded as line items in the tax provision and included in their financial statements. Yet, PGE reaches the conclusion that these tax benefits should not be reflected in ADIT because the Commission order approving the deferral of the expenditures never addressed ADIT.

[53] *Id.* at 38:1-39:22.

Q. WAS IT NECESSARY FOR THE ADIT IMPACTS TO BE ADDRESSED IN ORDER NO. 22-435?

A. No. On the contrary, absent a Commission order that requires the ADIT impacts of the deferral to be excluded from revenue requirement, one must assume that the impacts would be included. PGE did not, for example, file testimony requesting to exclude the ADIT benefits of the deferred expenditures from future revenue requirement calculations. Absent that, PGE's argument has no merit. In fact, it was the Commission's decision to defer the costs, which gave rise to the ADIT benefits to begin with. Absent the deferral, PGE would have been able to keep 100% of the tax benefits associated with the expenditures, although it would have also had to pay 100% of the costs. Considering that ratepayers are agreeing to pay for 100% of the costs PGE incurred, it is also appropriate for them to receive 100% of the tax benefits through ADIT.

c. Corporate Activity Tax

Q. WHAT DID YOU RECOMMEND IN OPENING TESTIMONY WITH RESPECT TO THE CORPORATE ACTIVITY TAX ("CAT")?

A. Recognizing that the amount of CAT expense that PGE had included in revenue requirement was materially higher than the historical CAT expense amounts, I recommended a $3,796,491 reduction to the CAT expense amount.

Q. HOW DID PGE RESPOND?

A. In response PGE modified its calculation of CAT expense to be $11.1 million, a reduction of $1.8 million from its initial filing.

Q. DO YOU SUPPORT PGE'S CALCULATION?

A. While the amount is still higher than the historical amounts, I found PGE's estimate to be reasonable for the purposes of this testimony. Further analysis of this calculation, however, should be undertaken in future proceedings.

d. <u>Anderson Readiness Center ITCs</u>

Q. WHAT WAS YOUR RECOMMENDATION RELATED TO THE ANDERSON READINESS CENTER ITCS?

A. I recommended that $497,448 in ITCs associated with the Anderson Readiness Center be considered in revenue requirement. I also recommended that PGE affirm that it would opt out of ITC normalization for these credits.

Q. DID PGE AFFIRM THAT IT WOULD OPT OUT OF ITC NORMALIZATION?

A. Yes.

Q. DID PGE CONSIDER THE REVENUE REQUIREMENT BENEFITS OF THE ANDERSON READINESS CENTER ITCS IN REVENUE REQUIREMENT?

A. No. PGE asserted that it would not utilize the credits and that therefore, there would be no revenue requirement effect associated with the credits.

Q. DO YOU AGREE?

A. No. Because PGE is selling its PTCs, it will be able to utilize tax credits associated with the Anderson Readiness Center in 2025. Further, the Commission has full authority to begin amortization of these ITCs because PGE agreed to opt out of normalization. Accordingly, I continue to recommend that both the rate base and the amortization benefit of these ITCs be considered in revenue requirement.

VI. CONSTABLE AND SEASIDE BATTERY SYSTEMS

a. Resource Trackers

Q. WHAT DID YOU RECOMMEND WITH RESPECT TO THE CONSTABLE AND SEASIDE BATTER SYSTEM TRACKERS?

A. In my Opening Testimony, I recommended that the proposed trackers for the Constable and Seaside Battery Storage systems be rejected as unfair single-issue ratemaking and inconsistent with Oregon's used and useful requirements.

Q. WHAT DID STAFF RECOMMEND?

A. Staff recommended the Commission approve a tracker only for the Constable Battery System, so long as the project meets commercial operations by January 31, 2025, and that the gross plant is less than or equal to the amount included in PGE's filing.[54]

Q. DO YOU AGREE WITH STAFF?

A. No. PGE's proposal for a tracker is a workaround for the Oregon used and useful requirement. PGE had the opportunity to file its case in a manner that would have provided a sufficient buffer with respect to the in-service date of Constable. PGE could have filed with a rate effective date of January 31, 2025, or later, to provide this buffer. PGE chose not to do so, and it is appropriate for PGE to bear the risk of that decision. Providing tracker recovery for major plant additions that might occur after the rate effective date provides the wrong regulatory incentive for utilities to file rate cases with in-service dates that are accelerated relative to the possible plant closing dates, knowing that recovery for a major plant addition can be assured to be recovered in rates regardless of whether it is used and useful by the rate effective date. Accordingly, I continue to disagree with the approval of any resource trackers in this case.

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[54] Staff/1700, Dlouhy/22:5-19.

Q. HOW DID PGE RESPOND?

A. PGE responded that it was generally agreeable to Staff's recommendation on Constable, so long as the in-service cutoff date was moved to February 28, 2025. This delay is telling. If PGE believes that it is probable that Constable will not be in service until February 28, 2025, that is an indication that PGE does not believe that Constable will be in-service by the rate effective date. In response to AWEC's opposition to the tracker, PGE stated that "[w]hile PGE expects Constable to be completed prior to December 31, 2024, some general construction risk inevitably remains."[55]

Q. DO YOU AGREE THAT THERE IS CONSTRUCTION RISK?

A. Yes. That is the very point. By filing its case in this manner, with Constable forecast to go into service on the very day prior to the rate effective date, PGE's tracker proposal would confer all of that construction risk onto ratepayers. PGE will be able to include Constable in rates regardless of whether it is in service by the rate effective date. Thus, I continue to believe that a tracker tariff is both inappropriate and unnecessary. Had PGE chosen to file with a rate effective date that is two months later, none of this discussion would have been necessary.

a. <u>ITC Normalization</u>

Q. DID PGE AFFIRM THAT IT WOULD OPT-OUT OF ITC NORMALIZATION FOR THE CONSTABLE AND SEASIDE BATTERIES?

A. No. In Opening Testimony, I explained the differences between ITC normalization and ordinary tax normalization and demonstrated why the legacy ITC normalization rules are punitive to ratepayers—namely that they do not allow for the return of both the rate base and the tax expense benefits of the ITC. I recommended that PGE's action be determined to be

[55] PGE/1700, Powell–Clark/17:8-10.

imprudent if it does not affirmatively agree to opt out of ITC normalization for both Constable and Seaside, which PGE affirmed in discovery was permitted. In its reply, PGE did not affirmatively state that it would opt-out of ITC normalization, although its revenue requirement proposal appears to assume that it will do so. However, in response to AWEC Data Request 163, PGE affirmatively stated that "PGE agrees to opt out of ITC normalization as described at PGE/1300, Batzler-Meeks/31 line 19 – 32 line 2." The referenced testimony, however, did not state that PGE would opt-out of normalization. Therefore, I continue to recommend that PGE's action be determined to be imprudent if it does not opt-out of normalization for the Constable and Seaside Battery Systems.

b. <u>ITC Accounting</u>

Q. HAS PGE AGREED TO WITHDRAW ITS ITC TRACKER PROPOSAL?

A. Yes. PGE has withdrawn its ITC tracker proposal and agreed with parties to include ITCs in base rates.[56]

Q. HAS PGE MADE ANY OTHER CHANGES WITH RESPECT TO ITS PROPOSAL?

A. Yes. Other than eliminating the ITC tracker tariff, PGE has made two new proposals. First, PGE proposes to extend the amortization period for the ITCs relative to the period assumed in its initial filing. Second, PGE has proposed to discount the ITCs by 10%, reflecting the expected cost of selling the ITCs.

Q. DO YOU AGREE WITH PGE'S PROPOSAL TO EXTEND THE AMORTIZATION PERIOD?

A. No. I recommend that the amortization period included in PGE's initial filing be retained. Provided that the ITCs are not subject to normalization, the Commission can decide to

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[56] PGE/1300, Batzler-Meeks/31:19-32:2.

amortize them over whatever period it finds to be most reasonable. In this case, accelerating the ITCs over the period that PGE included in its initial filing strikes a reasonable balance, considering the massive rate pressures being faced by ratepayers in this proceeding.

Q. DO YOU AGREE WITH PGE'S PROPOSAL TO DISCOUNT THE ITCS BY 10%?

A. This proposal was not supported by any substantive testimony, and to the extent that PGE is required to monetize the ITCs, the discount on the sale and the associated accounting should be determined at the time the sale is made. Notably, no discounting was assumed with PGE making the decision to pursue these investments, and PGE's ability to recover the cost of a potential discount on a sale of the ITCs can be scrutinized only after a sale is made.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

UE 435

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY,	)
	)
	)
Request for a General Rate Revision.	)
	)

EXHIBIT AWEC/301

REVISED REVENUE REQUIREMENT CALCULATIONS

Electric Revenue Requirement Summary ($000)

Line	Adj. No.	Description	Revenue Requirement: Net Oper. Income	Revenue Requirement: Rate Base	Revenue Requirement: Rev. Req. Def. / (Suf.)	Impact of AWEC Adjustments: Pre-Tax Net Oper. Income	Impact of AWEC Adjustments: Net Oper. Income	Impact of AWEC Adjustments: Rate Base	Impact of AWEC Adjustments: Rev. Req. Def. / (Suf.)
1		**Filed Revenue Requirement**	**$331,807**	**$7,349,355**	**278,395**				
2		Less: UE 416 Adj.	$334,958	$7,349,355	273,932	4,309	3,151	-	(4,463)
3		Add: Constable	$335,202	$7,496,153	288,534	(3,750)	244	146,798	14,602
4		**Margin Rev. Req. (Less: NVPC)**	**$394,670**	**$7,496,153**	**204,299**	**81,330**	**59,467**	**-**	**(69,633)**
		AWEC Adjustments							
5		Cost of Capital	$394,670	$7,496,153	151,250	-	-	-	(53,049)
6	A1	AMA Rate Base Valuation	$415,884	$7,177,449	91,001	29,014	21,215	(318,703)	(60,249)
7	A2	Cost of Removal Depr.	$415,884	$7,177,449	91,001	-	-	-	-
8	A4	Non-Labor O&M	$432,350	$7,177,449	67,678	22,519	16,466	-	(23,323)
9	A5	Labor Expense	$457,384	$7,177,449	32,216	34,239	25,035	-	(35,461)
10	A6	Revolver Fees	$458,962	$7,177,449	29,982	2,157	1,577	-	(2,234)
11	A7	Margin Net Interest	$459,854	$7,177,449	28,718	1,221	893	-	(1,264)
12	A8	Broker Fees	$459,952	$7,177,449	28,580	133	97	-	(138)
13	A9	Directors' Fees	$462,347	$7,177,449	25,187	3,276	2,395	-	(3,393)
14	A10	Stock Incentives	$464,525	$7,177,449	22,102	2,979	2,178	-	(3,085)
15	A11	Incentives Overhead	$467,490	$7,177,449	17,903	4,054	2,964	-	(4,199)
16	A12	PTC Carryforward	$467,490	$7,069,973	7,719		-	(107,476)	(10,184)
17	A13	Boardman C.O.R.	$467,490	$7,063,645	7,119	-	-	(6,328)	(600)
18	A14	Emergency Deferrals	$467,490	$7,037,535	4,645	-	-	(26,110)	(2,474)
19	A15	Accrued Incetnives	$467,490	$7,032,252	4,145	-	-	(5,283)	(501)
20	A16	Or. Corp. Activity Tax	$468,856	$7,032,252	2,209	1,869	1,366	-	(1,935)
21	A17	Anderson Readiness Ctr. ITCs	$468,906	$7,031,705	2,087	68	50	(547)	(122)
22	A18	Constable ITCs	$483,570	$6,989,807	(22,655)	15,311	14,664	(41,898)	(24,742)
23	A19	Key Cust.Mngr (Kaufman)	$484,082	$6,989,807	(23,380)	700	512		(725)
25		Interest Coordination	$475,556	$6,989,807	(11,303)		(8,525)		12,076
26		**Adjusted Results**	**$475,556**	**$6,989,807**	(11,303)	**199,428**	**143,749**	**(359,548)**	**(275,096)**

BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

UE 435

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY,	)
	)
	)
Request for a General Rate Revision.	)
	)

EXHIBIT AWEC/302

PGE RESPONSES TO DATA REQUESTS

August 28, 2024

To: Jesse Gorsuch
Alliance of Western Energy Consumers

From: Jaki Ferchland
Senior Manager, Revenue Requirement

Portland General Electric Company
UE 435
PGE Response to AWEC Data Request 156
Dated August 21, 2024

Request:

Please provide an updated version of the attachment provided in response to Staff Data Request 124 based on the capital forecast included in PGE's Reply Testimony revenue requirement. With respect to the responsive workpaper, for each line included in the deprecation expense forecast, please provide the following hidden parameters:

a. The Cost of Removal Base
b. Cost of Removal Percent
c. Gross Salvage Percent
d. Any other hidden parameter or value necessary to recalculate the values in the study.

Response:

PGE understands this request as asking for an updated version of Attachment 124 with respect to the tabs relevant to depreciation expense. With this understanding, PGE responds as follows:

a. PGE disagrees that the referenced parameter is "hidden," but rather required calculation based on the presented information. PGE has provided shortcuts to these calculations in Attachment 156-A, tab "Depr Query – 2025 GRC". Please note that this response only includes tangible utility depreciation expenses included in revenue requirement as cost of removal and salvage are not relevant to intangible amortization.
b. See response to a.
c. See response to a.
d. There are no hidden parameters nor values necessary to recalculate the values in the study.

August 28, 2024

To: Jesse Gorsuch
Alliance of Western Energy Consumers

From: Jaki Ferchland
Senior Manager, Revenue Requirement

Portland General Electric Company
UE 435
PGE Response to AWEC Data Request 163
Dated August 21, 2024

Request:

Reference PGE/1300, Baltzer-Meeks/31:9-18: Is PGE agreeing with AWEC's recommendation that it will opt-out of ITC normalization? If no, please explain.

Response:

PGE agrees to opt out of ITC normalization as described at PGE/1300, Batzler-Meeks/31 line 19 – 32 line 2.

August 28, 2024

To: Jesse Gorsuch
Alliance of Western Energy Consumers

From: Jaki Ferchland
Senior Manager, Revenue Requirement

Portland General Electric Company
UE 435
PGE Response to AWEC Data Request 170
Dated August 21, 2024

Request:

Reference PGE/1400, Mersereau–Van Oostrum–Batzler/42:12-18: Please identify the specific provision of the stipulation adopted in Commission Order No. 10-410 where the treatment of revolver fees, margin net interest and broker fees was resolved.

Response:

The specific provision of the stipulation resolving the treatment of revolver fees, margin net interest, and broker fees can be viewed in Commission Order No. 10-410, Appendix A at Term III.

August 28, 2024

To: Jesse Gorsuch
Alliance of Western Energy Consumers

From: Jaki Ferchland
Senior Manager, Revenue Requirement

Portland General Electric Company
UE 435
PGE Response to AWEC Data Request 175
Dated August 21, 2024

Request:

Please provide transaction level detail of all revolver fees recorded over the period January 1, 2020, through June 30, 2014.

Response:

Confidential Attachment 175-A provides the requested information.

Attachment 175-A contains protected information subject to General Protective Order 23-132.

August 28, 2024

To: Jesse Gorsuch
Alliance of Western Energy Consumers

From: Jaki Ferchland
Senior Manager, Revenue Requirement

Portland General Electric Company
UE 435
PGE Response to AWEC Data Request 176
Dated August 21, 2024

Request:

For each revolver line of credit outstanding, please state the current interest rate.

Response:

All of PGE's revolving credit follows the interest rate scheme below.

PRICING	LEVEL I STATUS ≥ A+/A1	LEVEL II STATUS A/A2	LEVEL III STATUS A-/A3	LEVEL IV STATUS BBB+/BAA 1	LEVEL V STATUS ≤ BBB/BAA2 OR UNRATED
Applicable Eurodollar Margin	*0.875%*	*1.000%*	*1.125%*	*1.250%*	*1.500%*
Applicable ABR Margin	*0.000%*	*0.000%*	*0.125%*	*0.250%*	*0.500%*
Commitment Fee Rate	*0.075%*	*0.100%*	*0.125%*	*0.175%*	*0.225%*
Letter of Credit Fee	*0.875%*	*1.000%*	*1.125%*	*1.250%*	*1.500%*

August 28, 2024

To: Jesse Gorsuch
Alliance of Western Energy Consumers

From: Jaki Ferchland
Senior Manager, Revenue Requirement

Portland General Electric Company
UE 435
PGE Response to AWEC Data Request 177
Dated August 21, 2024

Request:

Reference PGE/1400, Mersereau–Van Oostrum–Batzler/46:1-47:4:

a. Does PGE deposit the margin funds in a particular bank account(s)? If yes, please provide the bank account statements over the period January 1, 2020, through June 30, 2024.
b. Please provide workpapers supporting the margin net interest amounts PGE is forecasting in revenue requirement.
c. Please provide the monthly margin net interest expenses over the period January 1, 2020, through June 30, 2024.
d. Do any of PGE's counterparties maintain margin funds payable to PGE? If yes, please identify all interest earned with respect to such margin funds held by counterparties over the period January 1, 2020, through June 30, 2024.
e. Do the amounts at issue represent actual interest payments or imputed interest on the funds PGE has deposited?
f. Please provide transaction level details supporting all interest payments associated with margin funds over the period January 1, 2020, through June 30, 2024.

Response:

a. PGE objects to this request as overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence.
b. Confidential Attachment 177-A provides the requested information.
c. Confidential Attachment 177-B provides the requested information.
d. Yes. Confidential Attachment 177-B provides the requested information.
e. Amounts at issue represent actual interest payments received.
f. Confidential Attachment 177-B provides the requested information.

Attachments 177-A and 177-B contain protected information subject to General Protective Order No. 23-132.

August 28, 2024

To: Jesse Gorsuch
Alliance of Western Energy Consumers

From: Jaki Ferchland
Senior Manager, Revenue Requirement

Portland General Electric Company
UE 435
PGE Response to AWEC Data Request 178
Dated August 21, 2024

Request:

Reference PGE/1400, Mersereau–Van Oostrum–Batzler/47:5-48:9:

a. Please identify the FERC account where the broker fees are recorded.
b. Please explain why the Broker Fee amounts are not already considered in PGE's budget for FERC Account 557.
c. Please provide details of the amount of broker fees incurred by month over the period January 1, 2020, through July 31, 2024.
d. Please provide transactional details supporting the amount of broker fees incurred over the period January 1, 2023, through December 31, 2023.

Response:

a. Broker fees are recorded in FERC account 557.
b. Broker fees are not budgeted for in FERC Account 557 because PGE includes them in GRCs as a part of A&G expense in accordance with Commission Order No. 10-410.
c. Confidential Attachment 178-A provides the requested information.
d. Confidential Attachment 178-A provides the requested information.

Attachment 178-A contains protected information subject to General Protective Order 23-132.

BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

UE 435

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY,	)
	)
	)
Request for a General Rate Revision.	)
	)

EXHIBIT AWEC/303

HYBRID RATE BASE INCONSISTENCY ILLUSTRATIONS

Parameters	
Depr/Mo	0.21%
RoR	7%
Conv. Fact.	0.706

Proxy Method:

	Existing Plant				Plant Addition (January 1 Proxy)						
	Gross	A/D	Net	Depr	Gross	A/D	Net	Depr	Rate Base	Depr	Rev. Req.
Jan-24	1,000	(100)	900	1.9	200	-	200	0.4	1,100	2.3	
Feb-24	1,000	(102)	898	1.9	200	(0)	200	0.4	1,098	2.3	
Mar-24	1,000	(104)	896	1.9	200	(1)	199	0.4	1,095	2.3	
Apr-24	1,000	(106)	894	1.9	200	(1)	199	0.4	1,093	2.3	
May-24	1,000	(107)	893	1.9	200	(2)	198	0.4	1,091	2.3	
Jun-24	1,000	(109)	891	1.9	200	(2)	198	0.4	1,089	2.3	
Jul-24	1,000	(111)	889	1.9	200	(2)	198	0.4	1,086	2.3	
Aug-24	1,000	(113)	887	1.8	200	(3)	197	0.4	1,084	2.3	
Sep-24	1,000	(115)	885	1.8	200	(3)	197	0.4	1,082	2.3	
Oct-24	1,000	(117)	883	1.8	200	(4)	196	0.4	1,080	2.2	
Nov-24	1,000	(119)	881	1.8	200	(4)	196	0.4	1,077	2.2	
Dec-24	1,000	(120)	880	1.8	200	(5)	195	0.4	1,075	2.2	
Y/E	1,000	(122)	878	22.2	200	(5)	195	4.9	1,073	27.2	136.4

Actual Rate Base 2024:

	Existing Plant				Plant Addition (July 1 Actual)						Annual
	Gross	A/D	Net	Depr	Gross	A/D	Net	Depr	Rate Base	Depr	Rev. Req.
Jan-24	1,000	(100)	900	1.9	0	-	-	-	900	1.9	
Feb-24	1,000	(102)	898	1.9	0	-	-	-	898	1.9	
Mar-24	1,000	(104)	896	1.9	0	-	-	-	896	1.9	
Apr-24	1,000	(106)	894	1.9	0	-	-	-	894	1.9	
May-24	1,000	(107)	893	1.9	0	-	-	-	893	1.9	
Jun-24	1,000	(109)	891	1.9	0	-	-	-	891	1.9	
Jul-24	1,000	(111)	889	1.9	200	-	200	0.4	1,089	2.3	
Aug-24	1,000	(113)	887	1.8	200	(0)	200	0.4	1,087	2.3	
Sep-24	1,000	(115)	885	1.8	200	(1)	199	0.4	1,084	2.3	
Oct-24	1,000	(117)	883	1.8	200	(1)	199	0.4	1,082	2.3	
Nov-24	1,000	(119)	881	1.8	200	(2)	198	0.4	1,080	2.2	
Dec-24	1,000	(120)	880	1.8	200	(2)	198	0.4	1,078	2.2	
Y/E	1,000	(122)	878	22.2	200	(2)	198	2.5	1,075	24.7	134.2
Delta From Proxy Method	**-**	**-**	**-**	**-**	**-**	**2**	**2**	**(2.5)**	**2**	**(2.5)**	**(2.2)**

Actual Rate Base 2025:

	Existing Plant				Plant Addition (July 1 Actual)						
	Gross	A/D	Net	Depr	Gross	A/D	Net	Depr	Rate Base	Depr	
Jan-25	1,000	(122)	878	1.8	200	(2)	198	0.4	1,075	2.2	
Feb-25	1,000	(124)	876	1.8	200	(3)	197	0.4	1,073	2.2	
Mar-25	1,000	(126)	874	1.8	200	(3)	197	0.4	1,071	2.2	
Apr-25	1,000	(128)	872	1.8	200	(4)	196	0.4	1,069	2.2	
May-25	1,000	(130)	870	1.8	200	(4)	196	0.4	1,066	2.2	
Jun-25	1,000	(131)	869	1.8	200	(5)	195	0.4	1,064	2.2	
Jul-25	1,000	(133)	867	1.8	200	(5)	195	0.4	1,062	2.2	
Aug-25	1,000	(135)	865	1.8	200	(5)	195	0.4	1,060	2.2	
Sep-25	1,000	(137)	863	1.8	200	(6)	194	0.4	1,057	2.2	
Oct-25	1,000	(139)	861	1.8	200	(6)	194	0.4	1,055	2.2	
Nov-25	1,000	(140)	860	1.8	200	(7)	193	0.4	1,053	2.2	
Dec-25	1,000	(142)	858	1.8	200	(7)	193	0.4	1,051	2.2	
Y/E	1,000	(144)	856	21.7	200	(7)	193	4.9	1,049	26.6	133.4
Delta From Proxy Method	**-**	**(22)**	**(22)**	**(0.5)**	**-**	**(2)**	**(2)**	**(0.1)**	**(24)**	**(0.6)**	**(3.1)**

BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

UE 435

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY,	)
	)
	)
Request for a General Rate Revision.	)
	)

EXHIBIT AWEC/304

PGE CONFIDENTIAL RESPONSE TO AWEC DATA REQUEST 177

(REDACTED VERSION)

PROTECTED INFORMATION SUBJECT TO GENERAL PROTECTIVE ORDER NO. 23-132

Confidential Exhibit AWEC/304 contains

Protected Information Subject to the

General Protective Order No. 23-132 in this proceeding

and has been redacted in its entirety.