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January 31, 2007

**Via Electronic Filing and U.S. Mail**

Oregon Public Utility Commission  
550 Capitol Street NE  
Salem, OR 97301-2551

**RE: UE 88/DR 10/ UM 989**

Attention Filing Center:

Enclosed for filing on behalf of Portland General Electric Company in the captioned dockets are original and five copies of:

**Portland General Electric Company's Motion for Leave to File Supplemental Testimony;**

**Portland General Electric Company Testimony and Exhibits of:**

- **Pamela G. Lesh – PGE/7200 (Policy);**
- **Patrick G. Hager– PGE/7300 (Cost of Capital); and**
- **Jay Tinker, Stephen Schue and Patrick G. Hager – PGE/7400-09 (Quantative Analysis).**

Also, enclosed are three copies of:

**Workpapers (PGE/7400).**

These documents are being filed electronically. Hard Copies will be sent via US Mail.

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

Sincerely,

A handwritten signature in black ink, appearing to read "J. Jeffrey Dudley", written in a cursive style with a long horizontal flourish extending to the right.

JJD:jbf  
Enclosures  
cc: Service List - via US Mail (Motion and Testimony only)

**Policy**

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**I. Introduction**

1 **Q. What is your name and position with Portland General Electric?**

2 A. My name is Pamela G. Lesh. I am PGE's Vice President of Regulatory Affairs and  
3 Strategic Planning. My qualifications appear in Section V of PGE Exhibit 6000.

4 **Q. What is the purpose of this stage of the proceeding?**

5 A. The purpose of this stage of the proceeding is to complete the record, begun in Phase I, for  
6 matters pertaining to: (1) the Oregon Supreme Court's decision in Dreyer; and (2) Phase II,  
7 in which the Commission planned to address the amount, timing and mechanics of making  
8 any rate adjustments to UE 88 or UM 989. In these Phases, the Commission will determine  
9 whether PGE rates approved in UE 88 were improperly calculated and unlawfully collected;  
10 fashion any required revision; and provide current and former PGE customers with complete  
11 and full relief for any injury. To accomplish this result, the Commission should identify any  
12 difference between the PGE rates that it set between 1995 and 2000 and the rates it would  
13 have set had it known that it could not set rates on any basis that included a return on the  
14 undepreciated Trojan balance after PGE retired the plant to achieve a least cost resource  
15 portfolio for customers.

16 The Oregon Supreme Court's decision in Dreyer clarifies that the Commission has  
17 primary jurisdiction to address these matters. The Commission must apply its specialized  
18 expertise and identify those fair and reasonable rates that, under the new interpretation of  
19 Oregon law, would have satisfied all statutory and constitutional standards.

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

1 A. The purpose of my testimony is to present PGE's position on the remaining questions this  
2 remand proceeding requires the Commission to answer.

3 **Q. Does this testimony build on the Phase I stage of this proceeding?**

4 A. Yes. PGE Exhibits 6000 and 6800 explained what PGE would have urged the Commission  
5 to do in dockets UE 88 and UM 989, given the many choices available to it. We identified  
6 factual and policy choices that:

- 7 • promoted analysis and action by utilities to achieve the least cost for customers;
- 8 • allocated utility costs to customers fairly over time; and
- 9 • maintained a utility's ability to access capital so that utility service remained safe  
10 and adequate.

11 Based on two, internally consistent, sets of factual and policy choices, we concluded  
12 that:

- 13 • In 1995, the Commission would have found fair and reasonable rates at least as  
14 high as, if not higher than, the rates approved in Docket UE 88, Order No. 95-322;  
15 and
- 16 • In 2000, the Commission would have approved the stipulations presented to it and  
17 the proposed \$10 million rate reduction as fair and reasonable. Because amounts  
18 owed PGE at that time would have exceeded the customer credits used as an  
19 offset, such approval would have been a proper exercise of the Commission's  
20 discretion. Approval of the stipulations would have provided economic as well as  
21 other benefits to customers from the resolution of the issues.

22 **Q. What does this testimony add?**

1 A. This testimony supplements PGE's position to address the questions the Commission must  
2 answer in the combined Phases I and II, in consideration of the legal guidance provided by,  
3 and range of scenarios suggested in, Dreyer. PGE's supplemented position rests on a new  
4 UM 989-based scenario that does not change historical UE 88 rate levels, but instead applies  
5 any illegal "return on" the Trojan investment included in rates between April 1995 and  
6 September 2000 to retire the outstanding Trojan balance. We rely on two additional  
7 scenarios to demonstrate the reasonableness of PGE's position.

- 8 • Staff's alternative scenario from Phase I; and
- 9 • A new scenario, using most of Staff's assumptions, based on a five year  
10 amortization of the Trojan investment;

11 Based on these scenarios, PGE's position is that:

- 12 • For the rate period April 1995 through September 2000, the Commission could  
13 have ordered fair and reasonable rates at the same levels as the rates actually in  
14 place during that period. Instead of customers' rates supporting a "return on"  
15 Trojan, customers' rates between 1995 and 2000 would have caused more rapid  
16 reduction of the outstanding Trojan balance. Accordingly, customers during this  
17 period suffered no harm because the rates determined in this proceeding do not  
18 differ from those that were in effect.
- 19 • In 2000, the Commission could have evaluated the net benefit of the settlement  
20 using this lower Trojan balance as well as other ratemaking adjustments PGE  
21 proposed in Phase I. The Commission could have approved the UM 989  
22 stipulations as in the public interest based on the net benefit test and the

1 qualitative analysis it performed in 2000. This analysis indicated a net benefit to  
2 customers of between \$16.4 and \$18.5 million. Whether PGE would have needed  
3 to increase our contribution by adding between \$0 and \$6 million to the net  
4 benefits previously provided would depend on the Commission's assessment of  
5 customers' share of the Nuclear Electric Insurance Limited ("NEIL") refund.

- 6 • Both the Staff Alternative and Five-Year Amortization scenarios produce similar  
7 results as far as docket UM 989 is concerned. The Commission can rely on these  
8 scenarios in determining the reasonableness of the end result. These scenarios,  
9 however, produce rates during the period 1995 through September 2000 that are  
10 sometimes higher and sometimes lower than the rates that were actually in place.  
11 Using them as the basis of determining complete relief to customers presents  
12 theoretical and practical difficulties.

- 13 • If the Commission finds that PGE should have provided benefits to customers in  
14 September 2000 larger than the \$16.4 to \$18.5 million included in the settlement,  
15 that additional sum represents the injury customers suffered. The Commission  
16 should order PGE to identify customers as of September 30, 2000, and refund the  
17 additional amount to those customers based on charges during September 2000.

18 PGE proposes cash payments to former customers (subject to some minimum  
19 amount) and billing credits for current customers.

20 **Q. If the Commission determines that PGE must increase the benefits it previously**  
21 **contributed to the UM 989 stipulations, should the Commission apply interest to that**  
22 **amount?**

1 A. Yes. Interest should run from the date of the Commission's final order in this proceeding.  
 2 Interest for any prior period is unwarranted.

3 Given the complexities of ratemaking, and the myriad factual and policy decisions  
 4 implicated in these remand proceedings, the exact amount of damages owing customers can  
 5 not be ascertained until the Commission completes its work. Quantification of any damages  
 6 requires the specialized expertise of the Commission. Because credits owing customers, if  
 7 any, cannot be determined until the date of the Commission's final order, any applicable  
 8 interest should not begin to run until that time.

9 **Q. If the Commission exercises its discretion and determines to provide interest on**  
 10 **customer balances, what rate should the Commission use?**

11 A. This case presents unique circumstances. The Commission is reevaluating rates that it  
 12 approved over 10 years ago. PGE's position is that to the extent the Commission deems it  
 13 appropriate to apply an interest factor to any customer refund; the maximum rate should be  
 14 the general statutory rate for pre-judgment interest or 9% per annum, ORS 82.010. Given  
 15 the circumstances presented, applying 9% simple interest to any refund amounts, rather than  
 16 PGE's cost of capital, would provide customers with an equitable rate sufficient to make  
 17 them whole.

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

19 A. My testimony has four sections.

- 20 • In Section II, I briefly summarize the approach we presented in Phase I to identify
- 21 rates the Commission would have found fair and reasonable in UE 88 and
- 22 UM 989. I review the building blocks of factual and policy choices available to

1           the Commission for this purpose, including one additional building block based

2           on a policy decision made in UM 989;

3           • In Section III, I explain PGE’s position, using the methodology and building

4           blocks of Section II; and

5           • In Section IV, I summarize the other testimony PGE is presenting in this

6           supplemental round.



## II. PGE's Approach and Building Blocks

1 **Q. What approach did you follow in developing PGE's position in this remand**  
2 **proceeding?**

3 A. As explained in PGE Exhibit 6000, we articulated three questions to serve as the criteria by  
4 which we could test the regulatory policy strength of our position. Then we identified those  
5 factual and policy decisions made in UE 88 that require re-examination in light of the Court  
6 of Appeals interpretation of Oregon law. Now we also address the Dreyer decision. Our  
7 position is a set of changes that best meets the criteria, consistent with Commission  
8 regulatory policy and constitutional and statutory requirements.

9 **Q. What are the three questions you previously used and use again in this testimony?**

10 A. We believe that, had the Commission known in deciding UE 88 and subsequent cases that, if  
11 it spread the recovery of Trojan's un-depreciated balance over time, then it could not allow  
12 PGE to earn a return on the balance, its factual and policy decisions in UE 88 and ultimately  
13 UM 989 would have been guided by the answers to these questions:

- 14 1. Does this decision encourage electric utilities to analyze and make resource  
15 decisions that will yield "an adequate and reliable supply of energy at the least  
16 cost to the utility and its customers consistent with the long-run public interest?"
- 17 2. Does this decision equitably allocate the costs and benefits of utility resource  
18 decisions to customers over time, such that no one "generation" of customers  
19 bears an inequitable burden of the costs or receives an inequitable share of the  
20 benefits?

1           3. Does this decision preserve the utility’s financial integrity and ability to attract  
 2           debt and equity capital so that the adequacy and cost of service to future  
 3           customers is not compromised? [PGE Exhibit 6000, p. 14]

4   **Q. Please summarize the UE 88 factual and policy decisions PGE suggested in PGE**  
 5   **Exhibit 6000 that the Commission might have made differently had it known of the**  
 6   **Court of Appeals ruling.**

7   A. The factual and policy decisions we suggested the Commission might have made or made  
 8   differently are the following:

- 9           • The period over which it ordered PGE to amortize its un-depreciated Trojan
- 10          investment;
- 11          • The required return on common equity and capital structure;
- 12          • The calculation of the net benefits test and application of the resulting net benefit;
- 13          • The classification of certain components of Trojan as plant-in-service;
- 14          • The amortization period for certain liabilities on PGE’s balance sheet owed to
- 15          customers as of March 1995;
- 16          • The recovery in 1995 of all forecasted 1995 net variable power costs; and
- 17          • The inclusion in rates of all of PGE’s interest payment costs, regardless of
- 18          whether the underlying debt relates to un-depreciated Trojan investment.

19           [PGE Exhibit 6000, p. 19]

20   **Q. What is the additional building block that you recommend the Commission consider in**  
 21   **this Phase II?**

1 A. We recommend that the Commission consider the role of the NEIL refund as it evaluates the  
2 UM 989 settlement in these remand dockets. The Commission explained in Order  
3 No. 02-227 that the “distribution of payments from NEIL is subject to the Commission’s  
4 discretion” and that the “record does not reveal exactly how much customers paid in NEIL  
5 premiums.” Order No. 02-227 at 14-15. Notwithstanding finding that some “allocation of  
6 the NEIL distribution is therefore reasonable between PGE shareholders and customers,” the  
7 net benefits test the Commission applied adopted the perspective most favorable to  
8 customers, “assuming that without the Settlement, customers would get 100% of the NEIL  
9 distributions.”

10 As the Commission sets new rates for UE 88, UE 93 and UE 100 and evaluates the  
11 UM 989 settlement, the Commission should revisit whether this conservative approach to  
12 net benefits remains fair and reasonable.

### III. PGE's Position

1 **Q. What is the basis of your position?**

2 A. We base PGE's position on a new UM 989-based scenario comprised of building blocks –  
3 factual and policy decisions – that we could have recommended, and the Commission could  
4 have adopted, in UE 88, UE 93, UE 100 and UM 989. This scenario, for convenience called  
5 the "Retirement of Trojan Balance" scenario, meets the criteria I described above. We also  
6 present two other scenarios by which the Commission can determine the reasonableness of  
7 any result using the Retirement of Trojan Balance scenario. These additional scenarios also  
8 meet the criteria I described, although not to the same degree or in the same way. For  
9 convenience, we label these scenarios as follows:

- 10 • Staff Alternative
- 11 • Five-year amortization

12 **Q. What are the factual and policy decisions within the "Retirement of Trojan Balance"**  
13 **scenario that PGE might have requested that the Commission find?**

14 A. The "Retirement of Trojan Balance" scenario includes a specific set of UE 88 factual and  
15 policy decisions the Commission could have made:

- 16 • Revise the UE 88 net benefit test to allow all un-depreciated investment in Trojan,  
17 based on the positive net benefit resulting from comparing the cost of closure  
18 without a "return on" the Trojan balance to the cost of continued operation;
- 19 • Retain \$80 million of the Trojan assets still in use during this period in the  
20 plant-in-service accounts;

- 1       • Offset the \$111 million Boardman gain against the un-depreciated Trojan assets  
2           that were not still plant-in-service;
- 3       • Recover the AMAX termination payment, pre-UE 88 deferred power costs and  
4           SAVE incentive, using a 10-year amortization period; and
- 5       • Increase the allowed return on common equity by 50 basis points to 12.1% rather  
6           than the prior stipulated amount of 11.6%. This is discussed further in the  
7           supplemental testimony of Patrick Hager. (PGE Exhibit 7300).

8           With these initial UE 88 decisions, this scenario then leaves unchanged the rates set in  
9           UE 88, UE 93 and UE 100 and simply replaces the unlawful "return on" portion of the rates  
10          with lawful amortization or retirement of the Trojan net plant balance. This results in an  
11          un-depreciated Trojan balance and other regulatory assets owed PGE, as of September 30,  
12          2000, equal to \$155.9 million or approximately \$6 million less than the customer credits  
13          offset in the UM 989 stipulation. PGE Exhibit 7400 presents the effect of these revised  
14          factual and policy decisions on UE 88, UE 93, UE 100, and UM 989.

15   **Q. Based on the “Retirement of Trojan Balance” scenario what should the Commission**  
16   **conclude about the UM 989 settlement?**

17   A. PGE’s position using this scenario is that the Commission should restore between \$0 and  
18   \$6 million to PGE’s balance sheet as reflecting credits owed customers. With this  
19   restoration, the net benefits analyses applied in Order No. 02-277 remain supportive of a  
20   finding that the settlement resulted in fair and reasonable rates, particularly in light of the  
21   conservative assumption made regarding allocation of the NEIL refund. Returning up to  
22   \$6 million to those who were customers during September 2005 will afford complete and

1 final relief for the injury suffered by customers. These rates remove any improper “return  
2 on” Trojan.

3 **Q. How does the outcome of the Retirement of Trojan Balance scenario comport with the**  
4 **criteria you presented in Section II?**

5 A. With respect to the first criterion of encouraging resource decisions that are consistent with  
6 the long-run public interest and least cost to customers, the outcome of this scenario is  
7 neutral. The replacement of return on with return of effectively amortizes Trojan faster than  
8 17 years, albeit with no return, but the other factual and policy decisions in the scenario  
9 mitigate the effect of this.

10 With respect to the second criterion of equitably allocating costs across customer  
11 generations, this scenario, applied through a restoration of customer credits then returned to  
12 September 2000 customers provides reasonable satisfaction.

13 Regarding the third criterion of preserving PGE’s financial integrity and ability to  
14 attract debt and equity capital, the scenario is positive for many of the same reasons as  
15 discussed regarding the first criterion.

16 **Q. What is the second scenario – Staff Alternative – that PGE might have requested that**  
17 **the Commission find?**

18 A. This begins with Staff’s alternative to PGE’s first scenario in Phase I described at  
19 Staff 100/ Busch-Johnson/22. This is a rate decision in UE 88 that meets statutory and  
20 constitutional standards and moves through UE 93 and UE 100. It concludes with an  
21 evaluation of whether the UM 989 stipulations were in the public interest based on the

1 results of a net benefits test and other considerations. PGE could have requested, and  
 2 believes the Commission could reasonably have found, that PGE should:

- 3 • Revise the UE 88 net benefit test to recover \$17.6 million of the disallowed  
 4 un-depreciated investment in Trojan, based on the positive net benefit resulting  
 5 from comparing the cost of closure without a "return on" the Trojan balance to the  
 6 cost of continued operation;
- 7 • Retain \$80 million of the Trojan assets still in use during this period in  
 8 plant-in-service accounts;
- 9 • Apply the \$111 million Boardman gain as an offset to the un-depreciated Trojan  
 10 assets that were not still plant-in-service;
- 11 • Use a one-year amortization period for recovery of the remaining un-depreciated  
 12 Trojan balance; and
- 13 • Recover the AMAX termination payment, pre-UE 88 deferred power costs and  
 14 SAVE incentive over a 10-year amortization period.

15 PGE Exhibit 7400 presents the effect of these revised factual and policy decisions on  
 16 UE 88, UE 93, UE 100 and UM 989. The result of this scenario, summarized in Table 1  
 17 below, shows that rates were significantly too low in the UE 88 and UE 93 rate periods and  
 18 too high in the UE 100 rate period.

**Table 1**  
**(\$000 Over Period When Rates In Effect)**

Rate Period	Approved Revenue Requirement	Re-Calculated Revenue Requirements	Revenue Requirement Difference
UE 88	621,028	696,823	75,795
UE 93	1,003,794	1,031,281	27,487
UE 100	3,674,898	3,588,586	(86,312)

1           The Commission could and should find it logical to apply the net of the mismatches,  
2           using constant dollars, when evaluating whether the UM 989 settlement is in the public  
3           interest. This would give PGE credit for the significant undercharges in the UE 88 and  
4           UE 93 rate periods. Customers would receive credit for the overpayments in the UE 100  
5           rate period. This approach triggers several concerns, however.

6           First, if these mismatches are netted, some may argue that this leaves certain customers  
7           during the period April 1995 through September 2000 without a remedy for rates that were  
8           too high unless a refund occurs. But any remedy for that situation would require redress to  
9           PGE for the UE 88 and UE 93 rate periods when rates were markedly too low, triggering a  
10          surcharge to customers for this period. Such refunds and surcharges are impractical and  
11          imprecise because PGE has no records of customer usage prior to 1998. While we might be  
12          able to reconstruct, to within some degree of error, the names of customers, we would have  
13          no way of allocating to them any refunds or surcharges.

14          A second issue with the Staff Alternative scenario arises from the size of the rate  
15          differentials between those that were in place and those the Commission would have set.  
16          Bringing these differentials forward to September 2000 in constant and consistent dollars to  
17          determine the effect of the stipulations requires a large adjustment in PGE's favor. This is  
18          the effect of moving the amounts owed PGE in the UE 88 and UE 93 rate periods forward to  
19          September 2000, offset by the effect of moving the amounts owed customers in the UE 100  
20          rate period forward to the same end date. Some might argue that applying interest to any  
21          dollars, whether owed to PGE or otherwise, is illegal. Others might argue that applying  
22          interest only to dollars owed PGE because of rate differentials is illegal.



1           These theoretical and practical considerations may mean that the Commission does not  
2           apply this scenario to derive a result for Phases I and II. The scenario remains useful,  
3           however, to test whether the result of applying the Retirement of Trojan Balance scenario is  
4           reasonable.

5   **Q. Based on Staff Alternative, could the Commission conclude that a result based on the**  
6   **Retirement of Trojan Balance scenario is reasonable?**

7   A. Yes. PGE Exhibit 7400 discusses how the Staff Alternative would result in a net Trojan  
8   balance owed PGE as of September 30, 2000, equal to \$158.9 million or approximately  
9   \$3 million less than the customer credits used in the UM 989 stipulation. Using this  
10   scenario, PGE suggests that the Commission should restore between \$0 and \$3 million to  
11   PGE’s balance sheet reflecting credits owed customers. With this restoration, the net  
12   benefits analyses applied in Order No. 02-277 remain supportive of a finding that the  
13   stipulations resulted in fair and reasonable rates, particularly in light of the conservative  
14   assumption made regarding allocation of the NEIL refund. Returning up to \$3 million to  
15   those who were customers during September 2000 will afford complete and final relief for  
16   the injury suffered by customers. This scenario results in rates that remove any improper  
17   “return on” Trojan.

18   **Q. How does the outcome of the Staff alternative scenario comport with the criteria you**  
19   **presented in Section II?**

20   A. With respect to the first criterion of encouraging resource decisions that are consistent with  
21   the long-run public interest and least cost to customers, the outcome of this scenario is  
22   neutral to slightly negative. The use of a one-year amortization would have resulted in an

1 \$11 million write-off on PGE's balance sheet in 1995. On the other hand, the approach  
2 restores \$17.6 million of the un-depreciated balance previously disallowed.

3 With respect to the second criterion of equitably allocating costs across customer  
4 generations, this scenario, applied through a restoration of customer credits then returned to  
5 September 2000 customers provides reasonable satisfaction.

6 Regarding the third criterion of preserving PGE's financial integrity and ability to  
7 attract debt and equity capital, the scenario is positive for many of the same reasons as  
8 discussed regarding the first criterion.

9 **Q. What is the third scenario – Five-Year Amortization – that PGE might have requested**  
10 **that the Commission find?**

11 A. This scenario also begins with the Staff Alternative but uses a longer amortization period for  
12 the un-depreciated balance. The elements are:

- 13 • Use a five-year amortization period for recovery of the remaining un-depreciated  
14 Trojan balance;
- 15 • Revise the UE 88 net benefit test to allow all of the un-depreciated investment in  
16 Trojan, based on the positive net benefit resulting from comparing the cost of  
17 closure without a "return on" the Trojan balance to the cost of continued  
18 operation;
- 19 • Retain \$80 million of the Trojan assets still in use during this period in the  
20 plant-in-service accounts;
- 21 • Apply the \$111 million Boardman gain as an offset to the un-depreciated Trojan  
22 assets that were not still plant-in-service;

- 1 • Increase the UE 88, UE 93 and UE 100 authorized return on common equity by
- 2 50 basis points as discussed in PGE Exhibit 7300; and
- 3 • Recover the AMAX termination payment, pre-UE 88 deferred power costs and
- 4 SAVE incentive over a 10-year amortization period.

5 PGE Exhibit 7400 presents the effect of these revised factual and policy decisions on  
 6 UE 88, UE 93, UE 100 and UM 989. The results of the five-year amortization scenario,  
 7 summarized in Table 2 below, show that rates were only slightly high in the UE 88 period  
 8 and too low in the UE 93 and UE 100 rate periods.

**Table 2**  
**(\$000 Over Period When Rates In Effect)**

Rate Period	Approved Revenue Requirement	Re-Calculated Revenue Requirements	Revenue Requirement Difference
UE 88	621,028	614,005	(7,023)
UE 93	1,003,794	1,016,377	12,583
UE 100	3,674,898	3,730,591	55,693

9 The Commission could and should find it logical to apply the net of the mismatches,  
 10 using constant dollars, when evaluating whether the UM 989 settlement is in the public  
 11 interest. However, concerns arise that are similar to those presented by the Staff Alternative  
 12 scenario.

13 First, others could argue that this leaves certain customers during the period April 1995  
 14 through September 2000 without a remedy for rates that were too high unless a refund  
 15 occurs. A remedy for this, or to PGE for periods in which the rates were too low, suffers the  
 16 same difficulties as discussed under the Staff Alternative scenario.

17 The second concern with the Staff Alternative—bringing dollars forward to September  
 18 2000 for purposes of applying the UM 989 net benefits test—is somewhat different for this

1 scenario. These rates would more closely match actual historical rates. Accordingly, the  
2 rate differentials produced in this scenario are much smaller than those in the Staff  
3 Alternative scenario. Although PGE believes that making the dollars consistent is the best  
4 approach, one could calculate the UM 989 net benefits test using the net of the nominal rate  
5 differentials owed customers and owed PGE. PGE Exhibit 7400 uses the net of the nominal  
6 rate differentials in its Five-Year Amortization calculations.

7 The practical considerations that we have described may mean that the Commission  
8 does not apply this scenario to derive a result for Phases I and II. This scenario, however,  
9 remains useful to test whether the result of applying the Retirement of Trojan Balance  
10 scenario is reasonable.

11 **Q. Based on this five-year amortization scenario, what should the Commission conclude**  
12 **about the UM 989 settlement?**

13 A. PGE Exhibit 7400 shows that these factual and policy decisions would result in amounts  
14 owed PGE as of September 30, 2000, equal to \$155.9 million or approximately \$6 million  
15 less than the customer credits offset in the UM 989 stipulation. PGE's position using this  
16 scenario is that the Commission should restore between \$0 and \$6 million to PGE's balance  
17 sheet as reflecting credits owed customers. With this restoration, the net benefits analyses  
18 applied in Order No. 02-277 remain supportive of a finding that the settlement resulted in  
19 fair and reasonable rates, particularly in light of the conservative assumption made regarding  
20 allocation of the NEIL refund. Returning up to \$6 million to those who were customers  
21 during September 2000 will afford complete and final relief for the injury to customers.  
22 These rates remove any improper "return on" Trojan.

1 **Q. Why do you suggest a five-year amortization?**

2 A. This amortization period results in rates that most closely match those actually set in UE 88  
3 and subsequently in UE 93 and UE 100. Consequently, it minimizes issues around revenue  
4 requirement differentials from 1995 through early 2000 in the context of the UM 989  
5 settlement.

6 **Q. How does the outcome of the Five-Year Amortization scenario comport with the**  
7 **criteria you presented in Section II?**

8 A. Its results are similar to those of the Retirement of Trojan Balance scenario. In this context  
9 the Five-Year Amortization scenario is reasonable in its own right.

10 **Q. Based on these scenarios what is the amount of injury or damages to customers from**  
11 **the rates set by the Commission in UE 88?**

12 A. Damages, or injury to customers, is the difference between the amount they paid under  
13 Order No. 95-322 and the amount they would have paid if the Commission had set lawful  
14 rates. All three scenarios discussed above describe lawful rates, well founded in ratemaking  
15 policy and the public interest, which the Commission could have set in March 1995, if it had  
16 known the later interpretation of ORS 757.355. Rates established in these scenarios would  
17 have been approved by the courts, because there is no amount of improper “return on”  
18 Trojan included.

19 The difference between the Order No. 95-322 rates and each scenario, existing in  
20 September 2000, the time of the UM 989 settlement is shown below in Table 3.

**Table 3**  
**UM 989 Balances (\$Million)**

Scenario	Balance Owed By Customers	Customer Credits	Difference
Trojan Balance	155.9	161.9	(6.0)
Staff Alternative	158.9	161.9	(3.0)
Five-Year	155.9	161.9	(6.0)

1 From this, we conclude the injury to customers from the Commission Order No. 95-322  
2 is up to \$6 million.

3 **Q. Could a re-evaluation of the UM 989 net benefit test result in a different level of injury**  
4 **to customers as a result of Commission Order No. 95-322?**

5 A. Yes. The original UM 989 net benefit test suggested a range of net benefits from \$16.4 to  
6 \$18.5 million. The calculations in Table 3 are effectively based on UM 989 net benefits of  
7 \$18.5 million. A change in assumed UM 989 net benefits to \$16.4 million would change the  
8 difference figures in Table 3 by approximately \$2 million, leading to the conclusion that  
9 Order No. 95-322 resulted in injury to customers of up to approximately \$8 million. Section  
10 V of PGE Exhibit 7400 discusses the UM 989 net benefit test in detail and PGE  
11 Exhibit 7409 provides detailed calculations.

12 **Q. How does PGE propose to provide relief for any injury the Commission may find?**

13 A. We propose a one-time credit to customers. Each customer's credit would be computed  
14 based on a pro-rata amount of the total refund.

15 **Q. How do you propose to distribute any refund?**

16 A. For affected customers who are still receiving service when the refund process is initiated,  
17 we can provide a billing credit on their PGE bill. For inactive or former customers that are  
18 no longer served by PGE, we can refund the appropriate amount by check. This process is

1 similar to the method PGE used to implement the Multnomah County Business Income Tax  
2 refund completed in 2006. The specific mechanics can be determined after the Commission  
3 identifies any injury to customers and specifies the affected customers.

**IV. Other Testimony Introduction**

1 **Q. What other testimony is PGE presenting in this supplement for the combined Phases I**  
2 **and II?**

3 A. In PGE Exhibit 7300, Patrick Hager discusses how an increase in PGE’s authorized return  
4 on equity would be appropriate under either the Retirement of Trojan Balance or Five-Year  
5 scenarios. In PGE Exhibit 7400, Jay Tinker, Stephen Schue, and Patrick Hager present  
6 quantitative results of the Retirement of Trojan Balance, Five-Year, and Staff Alternative  
7 scenarios.

8 **Q. Does this complete your testimony?**

9 A. Yes.



**Cost of Capital**

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B. Estimating the RROE for the Five-Year Amortization and Retirement of  
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**I. Introduction**

1 **Q. What is your name and position with Portland General Electric?**

2 A. My name is Patrick G. Hager. My position is Manager, Regulatory Affairs. My  
3 qualifications are in Section IV of PGE Exhibit 6400.

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

5 A. In this testimony I review the return on equity (ROE) estimates I presented in PGE Exhibit  
6 6400. I then apply that analysis to the Five-Year Amortization scenario presented in PGE  
7 Exhibit 7200.

**II. Review of ROE Estimates and Application to New Scenarios**

**A. Review of ROE Estimates**

1 **Q. Please summarize how you determined the point estimates for PGE’s ROE in PGE**  
2 **Exhibit 6400.**

3 A. I began with my Required Return on Equity (RROE) ranges for PGE’s 1995-1996 test  
4 period that I developed in my opening and rebuttal testimonies (PGE Exhibits 700 and  
5 2600). These ranges are shown in Table 1 below.

**Table 1**  
**Opening and Updated RROE Estimates**

<u>Estimation Method</u>	<u>Opening UE 88 Testimony</u>	<u>Updated UE 88 Estimate</u>
Discounted Cash Flow	10.96% - 11.91%	11.46% - 12.10%
CAPM	11.02% - 12.10%	12.65% - 13.37%

6 My direct testimony on PGE’s cost of capital was filed in November 1993, using  
7 information available to investors as of June 30, 1993. My updated estimates were based on  
8 information available through mid-November 1994 and were significantly higher because  
9 the financial markets had changed substantially over the 17-month period, including higher  
10 interest rates and increased volatility. These estimates did not include the risk that PGE  
11 would not receive a return on its Trojan investment.

12 I concluded that investors would have required a higher return than the authorized 9.5%  
13 Rate of Return (ROR) and the 11.6% ROE, but that the increased return would depend on  
14 several factors, such as how fast PGE could recover its investment; whether PGE would  
15 receive its cost of debt related to its Trojan investment; the liquidity of PGE securities (PGE  
16 preferred stock, commercial paper, and long-term debt as well as PGC common stock); and

1 the extent to which the Commission and/or PGE had taken steps to minimize the  
2 reoccurrence of this scenario.

3 Based on this analysis, I developed two point estimates for PGE’s required ROR and  
4 ROE, depending on the amortization period over which PGE would be allowed to collect its  
5 investment in Trojan. Table 2 below reproduces these estimates from PGE Exhibit 6400.

**Table 2**  
**Summary Results for PGE’s Updated RROE**

	Amortization Period	
	<u>1-yr</u>	<u>17-yr</u>
Required Return on Equity	11.85%	13.10%
Required Rate of Return	9.62%	10.19%

6 My estimates were derived based on two factors. First, investors would demand a  
7 higher rate of return on their investment because of the increased risk that they face with  
8 investing in a company subject to the Oregon regulatory scheme. Second, the ranges I  
9 estimated in 1993 and 1994 were for a utility with average risks and PGE is no longer an  
10 electric utility with average risk.

11 **Q. How did you determine the required ROE for the long-term (or 17-year recovery)**  
12 **investor?**

13 A. The required ROE would be towards the high end of the range. I used the top quartile of my  
14 updated range as the appropriate range for the higher required ROE. This range is 12.9% to  
15 13.4%. The midpoint of the range is 13.15% or approximately 150 basis points above the  
16 11.6% in the cost of capital stipulation. I thus used 13.1% as my point estimate.

17 **Q. Why did you use the bottom quartile of the range for the One-Year amortization**  
18 **scenario?**

19 A. The stipulated ROE was 11.6%, which represented the RROE for an average electric utility.  
20 If PGE now faced the risk of a one-year amortization of a significant portion of its rate base,

1 then investors would face the risk of early redemption. They would require a premium over  
2 the RROE for an average electric utility. I used the upper part of the bottom quartile of the  
3 overall range as my range for the one-year amortization scenario.

4 **Q. Please explain how you calculated the range for the One-Year Amortization scenario.**

5 A. The bottom quartile of my range was 11.46% to 11.94%, with a median of 11.7%. I took the  
6 midpoint of the range between the median and the top end of the bottom quartile, yielding  
7 11.82% or approximately 25 basis points above the 11.6% in the cost of capital stipulation.  
8 I thus used 11.85% as my point estimate.

**B. Estimating the RROE for the Five-Year Amortization and Retirement of Trojan  
Balance Scenarios**

9 **Q. Your RROE estimates for the One- and 17-year amortizations with no return are 25  
10 and 150 basis points. The Five-Year Amortization scenario presented in PGE Exhibit  
11 7200 is between the one- and 17-year scenarios. Wouldn't investors' RROE for a  
12 five-year amortization of Trojan investment with no return lie somewhere between  
13 these two estimates?**

14 A. Yes. One could also reasonably infer that the RROE would lie closer to the 25 basis points  
15 estimate than the 150 basis points estimate since the five-year amortization period is much  
16 closer to the one-year than the 17-year amortization period. Also, because the relationship  
17 between risk and return is nonlinear, we could also infer that the increased return is probably  
18 less than 35 basis points, which is the approximate amount if the relationship were linear.  
19 Given these two factors, I would conclude that using an additional 25 basis points (or a total

1 of 50 additional basis points over the authorized ROE) as investors' additional compensation  
2 for a five-year amortization of Trojan investment without a return is reasonable.

3 **Q. The Retirement of Trojan Balance Scenario effectively includes amortization with no**  
4 **return over a period of five and a half years. Would using 50 additional basis points**  
5 **over the authorized ROE as additional compensation for investors be reasonable in**  
6 **this case as well?**

7 A. Yes. In the context of amortizations without a return from one to 17 years, five and a half  
8 and five years are very similar. Thus, 50 basis points of additional compensation would be  
9 appropriate in either case.

10 **Q. Does this complete your testimony?**

11 A. Yes.

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**I. Introduction**

1 **Q. Please state your names and qualifications.**

2 A. My name is Jay Tinker. My position is Project Manager in the Rates and Regulatory Affairs  
3 Department. My qualifications are in Section X of PGE Exhibit 6200.

4 My name is Stephen Schue. My position is Senior Analyst in the Rates and Regulatory  
5 Affairs Department of PGE. My qualifications are in Section X of PGE Exhibit 6200.

6 My name is Patrick G. Hager. My position is Manager, Regulatory Affairs. My  
7 qualifications are in Section IV of PGE Exhibit 6400.

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

9 A. The purpose of our testimony is to present the results of the different scenarios that are  
10 discussed in the testimony of Ms. Lesh, PGE Exhibit 7200, and Mr. Hager, PGE  
11 Exhibit 7300. We also separately discuss the UE 88 net benefits test (Section IV) and the  
12 benefits of the UM 989 settlement with respect to the Nuclear Electric Insurance Limited  
13 (NEIL) assumptions (Section V).



**II. Additional Ratemaking Tools and Evaluation Techniques**

1 **Q. Please describe the ratemaking tools - Building Blocks – that were used in PGE’s prior**  
2 **direct testimony.**

3 A. PGE Exhibit 6200 and Section IV of PGE Exhibit 6000 discuss ratemaking tools and their  
4 application. Some of the tools were:

- 5 1. The amortization period of the un-depreciated Trojan Balance;
- 6 2. The required return on common equity;
- 7 3. The calculation of the UE 88 net benefits test;
- 8 4. The classification as plant-in-service of certain Trojan components; and
- 9 5. The amortization period for certain customer credits on PGE’s 1995 balance  
10 sheet.

11 **Q. Does your supplemental testimony discuss any other evaluation techniques that the**  
12 **Commission could have applied on remand of UE 88 and related proceedings?**

13 A. Yes. This testimony discusses and applies an evaluation technique that the Commission  
14 could have applied in its UM 989 decision in determining the Trojan-related balance owed  
15 by customers as of September 30, 2000. Specifically, as described in Ms. Lesh’s testimony  
16 (PGE Exhibit 7200) the Commission could have determined the net Trojan balance by  
17 taking the improper “return on” this balance collected by PGE during the 66-month period  
18 beginning April 1, 1995, and applying it to that balance. In other words, both the “return of”  
19 and “return on” plant no longer in service would be applied to retire the un-depreciated  
20 Trojan balance.

### III. New Scenario Analysis

#### A. Retirement of Trojan Balance Scenario

1 **Q. Ms. Lesh describes this scenario in her testimony PGE Exhibit 7200. What are the**  
2 **components you used for your analysis?**

3 A. This scenario includes:

- 4 1. Keep the original 17-year amortization period for Trojan used in UE 88, but limit the  
5 total monthly revenue requirement to actual historical levels associated with Trojan  
6 for the period April 1995 through September 2000;
- 7 2. Recover the entire un-depreciated investment in Trojan, including the \$26.6 million  
8 disallowance imposed by the Commission in Order No. 95-322;
- 9 3. Leave \$80 million of the Trojan assets in the plant-in-service accounts, thereby  
10 ordering return of and return on this amount over a 17-year period;
- 11 4. Offset the \$111 million Boardman gain against the un-depreciated Trojan assets that  
12 were not still plant-in-service;
- 13 5. Recover the AMAX termination payment, pre-UE 88 deferred power costs and SAVE  
14 incentive over ten years; and
- 15 6. Set the authorized return on equity at 12.10 %.

16 **Q. How does this decision scenario compare to the Staff Alternative scenario summarized**  
17 **on Page 3 of Staff Exhibit 102?**

18 A. This decision set scenario uses the Staff alternative but differs in four respects.

- 19 1. The addition of 50 basis points to PGE's allowed return on equity;

- 1           2. The restoration of the full net benefit test disallowance, \$26.8 million, rather than the
- 2                 \$17.6 million used in the Staff Alternative, discussed more fully in Section IV below.
- 3           3. Initially assumes a collection of the net Trojan balance occurs over 17 years, rather
- 4                 than one year; and
- 5           4. The scenario revenue requirement is limited to the actual historical levels associated
- 6                 with Trojan for the period April 1995 through September 2000.

7   **Q. What are the results of this Retirement of Trojan Balance scenario?**

8   A. This scenario results in a September 30, 2000, balance owed by customers of approximately

9         \$156 million. PGE Exhibit 7401 sets out the major elements of this result in the same

10         format as Staff Exhibit 102 and PGE Exhibit 6202. Two of these elements, the net balance

11         of Trojan plant-in-service and the remaining regulatory asset balance, are the same as in

12         Staff Exhibit 102, Page 3, i.e., approximately \$43 million and \$52 million. The net Trojan

13         balance is approximately \$61 million at September 30, 2000. That is because the \$176

14         million April 1, 1995, balance is reduced by \$114 million in payments (representing both

15         return on and return of amounts; see Line 4 of PGE Exhibit 7401). Then, the overall balance

16         owed by customers is the sum of \$43 million, \$52 million, and \$61 million. There is no

17         revenue requirement differential.

18   **Q. Have you prepared a graphical analysis of this set of factual and policy decisions?**

19   A. Yes. PGE Exhibit 7402, Pages 1 and 2. The Revenue Requirement graph is Page 1 and the

20         Principal Balance graph is Page 2.

21   **Q. Describe Page 1 of PGE Exhibit 7402.**

22   A. This graph shows revenue requirement, by month, for this Retirement of Trojan Balance

23         scenario and the revenue requirement for the Trojan balance as originally allowed by the

1 Commission in UE 88, UE 93, and UE 100. The vertical axis shows the monthly revenue  
2 requirement and the horizontal axis shows the months from April 1995 though September  
3 2000. The solid black line on the top edge reflects historical Trojan revenue requirements.

4 **Q. When you refer to the “Trojan revenue requirements,” what do you mean?**

5 A. We mean both the “return on” and the “return of” the undepreciated balance of Trojan  
6 during the period between April 1995 and September 2000. The Trojan revenue  
7 requirement depicted on this graph represents the total amount of Trojan that was included  
8 in PGE rates during that period.

9 **Q. Continuing with Page 1 of PGE Exhibit 7402, what do the colored, or shaded blocks**  
10 **represent?**

11 A. The colored or shaded blocks represent the revenue requirement for each of the separate  
12 building blocks of this Retirement of Trojan Balance scenario. The orange, or top block is  
13 revenue requirement for payments on the undepreciated Trojan balance. This is all “return  
14 of” with no component for “return on.” The blue, or second block from the top is the  
15 revenue requirement for the additional 50 basis points of equity. The green, or third block  
16 from the top, is the revenue requirement for the Trojan assets properly classified as plant-in-  
17 service. The yellow, or bottom block, is the revenue requirement for the regulatory assets  
18 (AMAX termination payment, SAVE incentive, etc.).

19 **Q. How does the total revenue requirement of the Retirement of Trojan Balance scenario**  
20 **compare to the solid black line of the original Trojan revenue requirement?**

21 A. As you can see on Page 1 of PGE Exhibit 7402, adding all the blocks we described above,  
22 the revenue requirement of the Trojan Balance scenario is exactly equal to the original  
23 Trojan revenue requirement.

1 **Q. Describe Page 2 of PGE Exhibit 7402.**

2 A. Page 2 of PGE Exhibit 7402 shows the outstanding principal balances of Trojan and the  
3 other building blocks in the Trojan Balance scenario. The vertical axis shows the total  
4 principal balance in dollars and the horizontal axis shows the months from April 1995 to  
5 September 2000. On the far left of this graph, is the starting asset balance of \$349 million.  
6 This is composed of three elements: (1) \$80 million of properly classified Trojan  
7 plant-in-service; (2) \$92 million of the regulatory asset; and (3) \$176 million of the  
8 remaining net Trojan balance, after adjustment for the net benefit restoration, the  
9 plant-in-service, and the Boardman gain. Specifically, by element:

10	Historical April 1, 1995 Balance:	340.162 (\$ million)
11	Boardman Gain:	(111.151)
12	Trojan Plant-in-Service:	( 80.200)
13	Restoration of Net Benefit Test:	<u>26.828</u>
14	Net April 1, 1995 Balance:	175.639

15 **Q. What is represented by the amount shown on the far right side of the graph, Page 2**  
16 **PGE Exhibit 7402?**

17 A. On the far right side of this graph, Page 2 of PGE Exhibit 7402, are the asset balances as of  
18 September 30, 2000. The total amount is \$155.9 million consisting of \$52.1 million  
19 remaining of the regulatory asset, \$42.6 million of Trojan properly classified  
20 plant-in-service and \$61.3 million of remaining net Trojan balance. We discuss these results  
21 and their relation to the NEIL assumptions in Section V of this testimony.

22 **Q. What conclusions can you draw from the Retirement of Trojan Balance scenario?**

23 A. Looking at Page 1 of PGE Exhibit 7402, the total revenue requirement of the scenario is  
24 always equal to the historical Trojan revenue requirement. This is the solid black line at the

1 top of the graph. This means that from April 1995 to October 2000 under this scenario  
2 customers neither paid too much nor too little in rates for Trojan recovery. Looking at Page  
3 2, the total of remaining Trojan-related balances at September 30, 2000, is \$156 million,  
4 composed of the amounts discussed above.

**B. Five-Year Amortization**

5 **Q. Ms. Lesh also discusses the Five-Year Amortization scenario. What are the building**  
6 **blocks used in this scenario?**

7 A. This scenario includes:

- 8 1. Recover the entire un-depreciated investment in Trojan, including the \$26.6 million  
9 disallowance imposed by the Commission in Order No. 95-322;
- 10 2. Leave \$80 million of the Trojan assets in the plant-in-service accounts, thereby  
11 ordering return of and return on this amount over a 17-year period;
- 12 3. Offset the \$111 million Boardman gain against the un-depreciated Trojan assets that  
13 were not still plant-in-service and amortize the remainder over five years.
- 14 4. Recover the AMAX termination payment, pre-UE 88 deferred power costs and SAVE  
15 incentive over 10 years; and
- 16 5. Allow a return on equity of 12.10 %.

17 **Q. How does this decision scenario compare to the Staff Alternative scenario summarized**  
18 **on Page 3 of Staff Exhibit 102?**

19 A. This decision set adopts the Staff alternative but differs in three respects.

- 20 1. We add 50 basis points to PGE's allowed return on equity;

- 1           2. We include the restoration of the full net benefit test disallowance, \$26.8 million,  
2           rather than the \$17.6 million used in the Staff Alternative; and
- 3           3. We collect the net Trojan balance over five years, rather than one year.

4   **Q. Why have you made these changes to the Staff Alternative scenario?**

5   A. Ms. Lesh and Mr. Hager describe the policy reasons underlying these changes. As for the  
6   restoration of the net benefit test disallowance, under this set of decisions, customer benefits  
7   from the decision to close Trojan would be much greater than under the assumptions relied  
8   on by the Commission in setting rates in docket UE 88. We include a detailed discussion of  
9   the impact on the net benefits test in Section IV of this testimony.

10 **Q. Have you prepared a graphical analysis for this Five-Year Amortization scenario?**

11 A. Yes. PGE Exhibit 7404 Pages 1 and 2 display revenue requirements and accumulated  
12 balances by component over the 66-month period beginning April 1, 1995. PGE Exhibit  
13 7404 has the same work up as PGE Exhibit 7402 described earlier. Page 1 shows the  
14 monthly revenue requirement components and Page 2 shows the monthly principal balances.  
15 PGE Exhibit 7403 sets out the major elements the Five-Year Amortization in the same  
16 format as Staff Exhibit 102 and PGE Exhibit 6202.

17 **Q. How does the total revenue requirement of the Five-Year Amortization compare to the**  
18 **original Trojan revenue requirement?**

19 A. The revenue requirement comparison is shown on PGE Exhibit 7404. As you can see on  
20 Page 1 of PGE Exhibit 7404, adding all the blocks we described above, the Five-Year  
21 Amortization revenue requirement is sometimes less than the original Trojan revenue  
22 requirement and sometimes more than that requirement. For example, for the UE 88 rate  
23 period, the Five-Year Amortization revenue requirement is less than the UE 88 original

1 requirement for Trojan. For the UE 100 rate period, the Five-Year Amortization revenue  
2 requirement is more than the Commission ordered requirement.

3 **Q. Turning to the remaining asset balances under this scenario, what is represented by**  
4 **the amount shown on the far right side of the graph, Page 2 PGE Exhibit 7404?**

5 A. On the far right side of this graph, Page 2 of PGE Exhibit 7404, are the asset balances as of  
6 September 30, 2000. The total amount is \$155.9 million consisting of \$52.1 million  
7 remaining of the regulatory asset, \$42.6 million of Trojan properly classified  
8 plant-in-service and \$61.3 million of revenue requirement differences. There is no  
9 remaining balance for Trojan. This is because this scenario amortized Trojan over five  
10 years. As a result, the Trojan balance became zero in March 2000, five years after the  
11 Commission decision in UE 88.

12 **Q. What makes up the component for revenue requirement differences shown on Page 2**  
13 **PGE Exhibit 7404?**

14 A. This is difference between the historical revenue requirement for Trojan and the revenue  
15 requirement for the Five-Year Amortization scenario. This is the same difference as shown  
16 on the graph on Page 1 between the solid black line and the colored (or shaded) blocks.  
17 Notice the original revenue requirement was higher than the Five-Year Amortization until  
18 December 1995, but lower than the Five-Year Amortization after that time. The \$61.3  
19 million in accumulated revenue requirement differences represents the sum of all those  
20 differences over time. There is no interest accrued on this figure. It is presented as a  
21 nominal amount as of September 30, 2000.



**C. Staff Alternative Analysis**

1 **Q. Have you also included a copy of the alternative presented by OPUC Staff on Page 3 of**  
2 **Staff Exhibit 102?**

3 A. Yes. As with the other scenarios we present a table of the relevant balances, PGE  
4 Exhibit 7405. This is essentially identical to Staff 102 /Busch-Johnson /3. The summary  
5 September 30, 2000, balance owed by customers is \$158.9 million. This is the sum of \$52.1  
6 million remaining of the regulatory asset, \$42.6 million of Trojan properly classified  
7 plant-in-service and \$47.3 million of revenue requirement differences and \$17.0 million in  
8 interest on these differences over time.

**IV. UE 88 Net Benefit Test and the Five-Year Amortization and Retirement of Trojan Balance Scenarios**

1 **Q. In the Five-Year Amortization and the Trojan Balance Scenarios discussed above, you**  
2 **restored the \$26.8 million that the Commission disallowed in its 1995 UE 88-related**  
3 **Order No. 95-322. Please describe the structure of this net benefit test.**

4 A. Section IV of PGE Exhibit 6200 discusses the net benefit test in detail. Briefly, the  
5 Commission considered the closing of Trojan to have a net benefit to customers if:

6  $(X + Y) > (X + Z)$ , where:

7 X = Cost to customers of the unamortized Trojan balance

8 Y = Expected allowable long-term costs of continued Trojan operation

9 Z = Expected replacement resource costs if Trojan closed

10 In Order No. 95-322, the Commission determined that  $(X + Y)$  was less than  $(X + Z)$   
11 by approximately \$27 million, i.e. the net benefit test indicated that closing Trojan would  
12 cost customers \$27 million. In arriving at this conclusion, the Commission assumed that X,  
13 the cost to customers of the unamortized Trojan balance, was the same in either the closure  
14 or continued operation cases, and that Y, the expected costs of continued plant operation,  
15 were \$27 million less than Z, the expected replacement resource costs.

16 **Q. How does the net benefit change under the Five-Year Amortization scenario presented**  
17 **in Part B of Section III?**

18 A. That scenario included recovery of the net Trojan balance over five years without any return  
19 on the outstanding balance over that same period. The benefit to PGE's customers, as  
20 measured in the net benefit test framework, of no return on the outstanding balance over a  
21 five-year period is approximately \$32 million. This is the benefit to customers for being  
22 allowed to pay, without interest, the net Trojan balance over a five-year amortization period.

1 In terms of the Commission's 1995 net benefit test structure, X, the cost to customers of the  
2 unamortized Trojan balance, is no longer the same in the closure and continued operation  
3 cases. Instead, it is \$32 million lower in the closure case. In other words,

$$4 \quad X_{\text{ContOper}} - X_{\text{Closure}} = \$32 \text{ million, where}$$

5  $X_{\text{ContOper}}$  = Cost to customers of the unamortized Trojan balance in the  
6 continued operation case

7  $X_{\text{Closure}}$  = Cost to customers of the unamortized Trojan balance in the  
8 closure case

9 Then, since  $(Y - Z) = -\$27$  million, the net benefit test indicates a savings to customers  
10 of \$5 million in the closure case. In other words, the net benefit test is now:

$$11 \quad (X_{\text{ContOper}} + Y) - (X_{\text{Closure}} + Z) = \$32 \text{ million} - \$27 \text{ million} = \$5 \text{ million}$$

12 **Q. How does the net benefit change under the Retirement of Trojan Balance scenario you**  
13 **presented in Part A of Section III?**

14 A. The Trojan Balance scenario effectively spreads out collection of the no longer used Trojan  
15 plant balance over a 66-month period with no return on, with the largest piece coming at the  
16 end of that period, September 30, 2000. This imposes a time value of money penalty on  
17 PGE, or, from the April 1, 1995, net benefit test perspective, this is a decrease in customer  
18 costs of approximately \$42 million. In terms of the Commission's 1995 net benefit test  
19 structure, X, the cost to customers of the unamortized Trojan balance, is no longer the same  
20 in the closure and continued operation cases. Instead, it is \$42 million lower in the closure  
21 case. In other words,

$$22 \quad X_{\text{ContOper}} - X_{\text{Closure}} = \$42 \text{ million, where}$$

23  $X_{\text{ContOper}}$  = Cost to customers of the unamortized Trojan balance in the

1 continued operation case

2  $X_{\text{Closure}}$  = Cost to customers of the unamortized Trojan balance in the  
3 closure case

4 Then, since  $(Y - Z) = -\$27$  million, the net benefit test indicates a savings to customers  
5 of \$15 million in the closure case. In other words, the net benefit test is now:

6  $(X_{\text{ContOper}} + Y) - (X_{\text{Closure}} + Z) = \$42 \text{ million} - \$27 \text{ million} = \$15 \text{ million}$

7 **Q. Have you prepared graphical analyses of these revised net benefit test results**  
8 **associated with the Five-Year Amortization and Retirement of Trojan Balance**  
9 **scenarios you present in this testimony?**

10 A. Yes. PGE Exhibits 7406 through 7408 present the original Order No. 95-322 net benefit test  
11 result and the modified results that are consistent with the new decision sets.

**V. UM 989 Settlement Net Benefits**

1 **Q. Please summarize UM 989.**

2 A. In UM 989, we requested approval of two settlements; one between PGE and Staff; the  
3 second between PGE and CUB. UM 989 included a request for an accounting order and the  
4 approval of new tariffs which eliminated the remaining balance of Trojan at  
5 September 30, 2000, (\$180.5 million) and removed Trojan from rates. The salient features  
6 of the settlements included:

- 7 1. Offsetting the remaining Trojan investment by using credits totaling \$161.9 million;
- 8 2. Requiring PGE to write-off approximately \$5 million in remaining unamortized  
9 Trojan investment;
- 10 3. Implementing tariffs to remove Trojan and the various credits from rates, resulting in  
11 a \$10 million rate reduction;
- 12 4. Establishing an additional \$2.5 million refund;
- 13 5. Establishing a new regulatory asset to recover accelerated tax benefits previously  
14 provided to customers; and
- 15 6. Crediting customers with sharing 55% of the final Nuclear Electric Insurance Limited  
16 (NEIL) distributions.

17 **Q. Did the Commission approve UM 989?**

18 A. Yes. The Commission initially approved the settlements in Order 00-601. Subsequently,  
19 the Commission established a contested case to receive and consider evidence in support and  
20 against the settlements. The Commission issued Order 02-227, approving the settlements  
21 and stating:

1 “... approval of PGE’s application and the rate change established by Advice 00-13 will  
 2 benefit PGE’s customers, is in the public interest, and will result in just and reasonable  
 3 rates.” (Order 02-227, pg. 19)

4 **Q. Did the Commission find that the settlements in UM 989 created a financial benefit to**  
 5 **customers?**

6 A. Yes. The Commission found that the settlements benefited customers by approximately  
 7 \$16.4 to \$18.5 million, based on two types of analyses put forward by Staff and PGE.

8 **Q. Please describe the analysis that resulted in a \$16.4 million net benefit from the**  
 9 **UM 989 settlement.**

10 A. This analysis compared the balances owed to customers by PGE and those owed to PGE by  
 11 customers. The table below reproduces the results from this analysis (see Page 4 of Order  
 12 No. 02-227).

**Table 1**  
**“Asset Balances” Net Benefit Analysis (Dollars in Millions)**

	No Settlement Case	Settlement Case	Net Benefit (Settlement less No Settlement Case)
PGE collects remaining Trojan investment balance	\$180.5	N/A	\$(180.5)
PGE collects FAS 109 balance	\$47.4	N/A	\$(47.4)
PGE refunds net credit balances	\$(161.9)	N/A	\$161.9
PGE collects new regulatory asset	N/A	\$36.7	\$36.7
PGE retains 45% of NEIL distributions	N/A	\$15.4	\$15.4
Customer Credit	N/A	\$(2.5)	\$(2.5)
Total NPV	\$66.0	\$49.6	\$(16.4)

13 **Q. Please describe the analysis that resulted in a \$18.5 million net benefit from the**  
 14 **UM 989 settlement.**

15 A. This analysis compared the present value of revenue requirements associated with the  
 16 regulatory assets and liabilities involved in the settlements. The table below reproduces the  
 17 results from this analysis (see Page 5 of Order No. 02-227)

**Table 2**  
**“Revenue Requirement” Net Benefit Analysis (Dollars in Millions)**

	No Settlement Case	Settlement Case	NPV Benefit (Settlement less No Settlement Case)
Net NPV of assets and liabilities involved in settlement	\$68.1	\$36.7	\$(31.4)
Customer Credit	N/A	\$(2.5)	\$(2.5)
PGE retains 45% of NEIL distributions	N/A	\$15.4	\$15.4
Total NPV	\$68.1	\$49.6	\$(18.5)

1 **Q. How did both of these analyses treat the distribution of Nuclear Electric Insurance**  
2 **Limited (NEIL) benefits?**

3 A. Both analyses assumed that customers were due all of the benefits of future NEIL  
4 distributions in the “no settlement” case. This approach is the most conservative in terms of  
5 estimating the customer benefit of the UM 989 settlement. If this assumption is relaxed,  
6 then the value of the settlement from customers’ perspective is even greater than the \$16.4  
7 million and \$18.5 million figures.

8 **Q. How does the remand of UE 88 impact the analyses of net benefits from the UM 989**  
9 **settlement?**

10 A. The actual Trojan balance at September 30, 2000, was \$180.5 million. In UM 989, this  
11 balance was offset with the use of \$161.9 million of net credits owed to customers, which in  
12 the process created \$16.4 million to \$18.5 million of benefits to PGE’s customers.  
13 Therefore, as long as the end result of the rate-making and policy decisions entered into by  
14 the Commission in the UE 88 remand proceeding is a balance owed to PGE that is at least  
15 \$162 million (\$180.5 million less \$18.5 million) at September 30, 2000, the Commission  
16 could find that the UM 989 settlement produced a positive net benefit to customers. To the  
17 extent that the balance owed to PGE is less than \$162 million, it would be necessary to  
18 consider re-establishing a portion of the credits owed customers at September 30, 2000, to  
19 capture that difference.

1 **Q. How do the NEIL assumptions affect this assessment?**

2 A. If the assumption about NEIL in the “no settlement” case were different, then the UM 989  
3 settlement produced more benefits to customers than \$16.4 to \$18.5 million. In other words,  
4 if in the “no settlement” case NEIL benefits should be less than the full amount of the NEIL  
5 refund, this would reduce the credits that would otherwise be owed customers at  
6 September 30, 2000, for balances less than \$162 million.

7 **Q. The Commission’s UM 989 net benefit analyses assumed that customers were entitled**  
8 **to receive all future NEIL refunds. How did the Commission allocate NEIL refunds?**

9 A. The Commission determined in Order 02-227 that the 55% (to customers), 45% (to PGE)  
10 split of future NEIL refunds was reasonable. Pursuant to this determination, when a final  
11 NEIL refund of \$34.2 million was issued, PGE received \$15.4 million and customers  
12 received \$18.8 million.

13 **Q. Can the original settlement in UM 989 be re-evaluated from the perspective that**  
14 **customers were only due the amount they received pursuant to the Commission’s**  
15 **Order 02-227, \$18.8 million?**

16 A. Yes. The net benefits analysis from 02-227 took a conservative approach by assuming that  
17 all NEIL refunds were due customers. PGE Exhibit 7409 shows the results if this  
18 assumption is relaxed. Rather than a \$16.4 million net benefit from the original settlement,  
19 the value of the settlement increases to \$31.8 million.

20 **Q. Can Exhibit 7409 be used to evaluate the net benefit of UM 989 for the impact of the**  
21 **policy decisions made by the Commission regarding UE-88 from this proceeding?**

22 A. Yes. Exhibit 7409 provides the results of the re-evaluated net benefit test for UM 989 for  
23 the three scenarios previously described, both without any modification of the original



1 analysis for NEIL as well as with that modification. The results of these three scenarios  
2 suggest a range of results from a net customer benefit of \$10.2 million to a net detriment of  
3 \$8.2 million. These results can inform the Commission on the amount, if any, of  
4 re-established customer credits at September 30, 2000.

5 **Q. Does this complete your testimony?**

6 A. Yes.

**List of Exhibits**

<b><u>PGE Exhibit</u></b>	<b><u>Description</u></b>
7401	Table for Retirement of Trojan Balance Scenario
7402-1	Graph for Trojan Balance – Annual Revenue Requirements
7402-2	Graph for Trojan Balance – Principal Balances
7403	Table for Five-Year Amortization Scenario
7404-1	Graph for Five-Year Amortization – Annual Revenue Requirements
7404-2	Graph for Five-Year Amortization – Principal Balances
7405	Table for Staff Alternative
7406	Graph of Net Benefit Test – per UE 88
7407	Graph of Net Benefit Test – for Five-Year Amortization
7408	Graph of Net Benefit Test – for Trojan Balance
7409	UM 989 Net Benefits Test

	A	B	C	D	E (E = A)	F (F = A + B)	G (G=A+B+C+D)
Start of Period	04/01/95	11/28/95	04/01/96	12/01/96	"8-month"	"One-Year"	"5.5 Year"
End of Period	11/27/95	03/31/96	11/30/96	09/30/00	Impact	Impact	Impact
Number of Months	7.90	4.10	8	46	7.90	12	66
Docket	UE 88	UE 93	UE 93	UE 100			
Annual Revenue Requirement (\$000)	943,333	995,498	995,498	958,669			
Period Revenue Requirement (\$000)	621,028	340,128	663,665	3,674,898			

**Retirement of Trojan Balance Scenario**

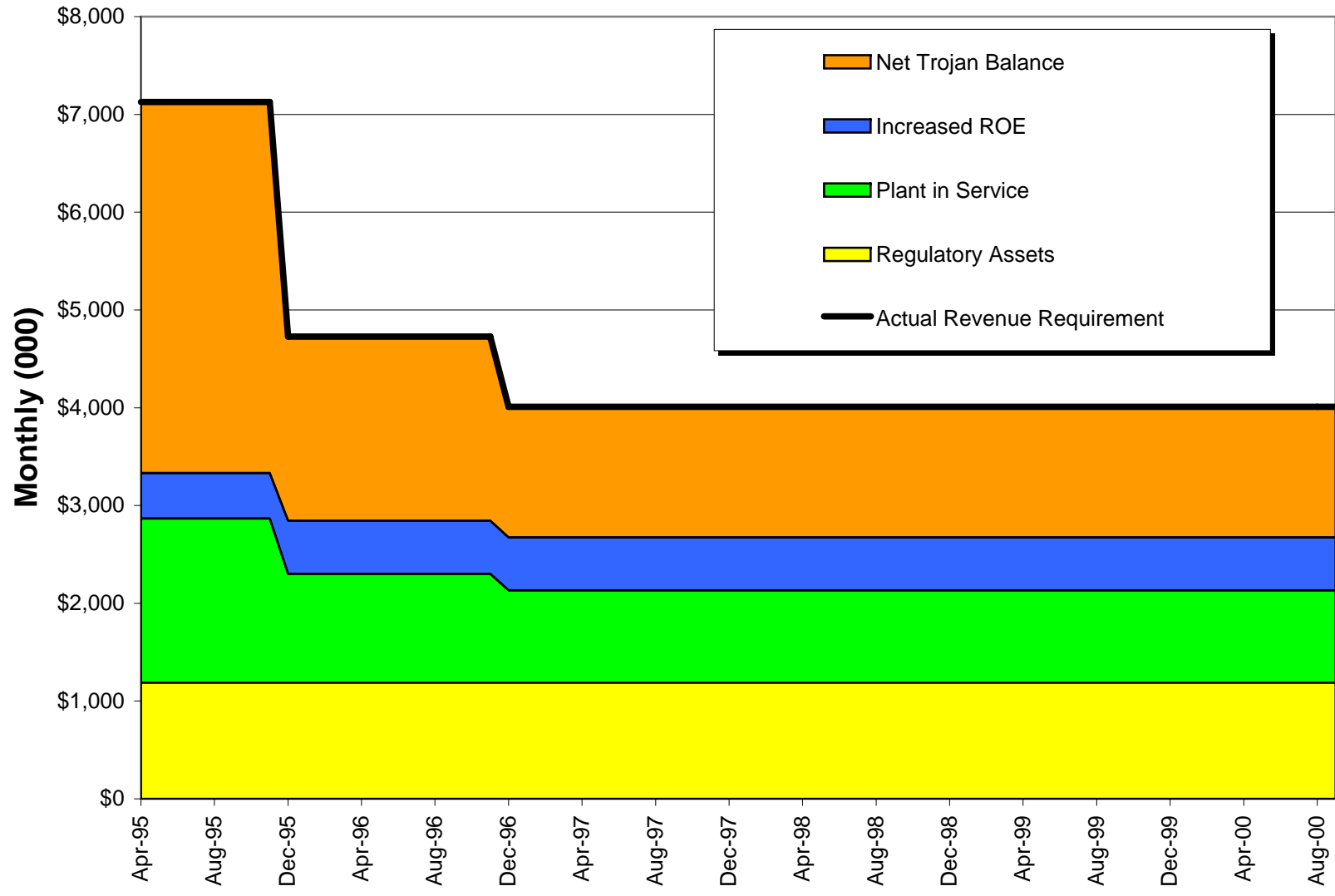
**Scenario Revenue Requirement:**

1	Plant in Service - Return On	5,221	2,396	4,452	20,587	5,221	7,618	32,657
2	Plant in Service - Recovery Of	8,100	2,635	4,018	22,894	8,100	10,735	37,647
3	50 Basis Pts. ROE Increase	3,649	2,220	4,333	24,912	3,649	5,870	35,114
4	Coll Trojan With Full Net Ben Res., Net of Class. In-Svc and Board.	30,149	9,218	13,620	61,400	30,149	39,367	114,387
5	First Year Power Costs					-	-	-
6	Reg. Assets Collection Over 10 Years	9,382	4,869	9,501	54,630	9,382	14,251	78,382
7						-	-	-
8	Total Scenario Revenue Requirement Changes	56,502	21,338	35,923	184,424	56,502	77,840	298,187
9								
10	<b>Revenue Requirement per Rate Cases:</b>							
11	First Year Power Costs			-	-	-	-	-
12	Trojan Revenue Requirement	56,502	21,338	35,923	184,424	56,502	77,840	298,187
13	Trojan and Power Cost Revenue Requirement	56,502	21,338	35,923	184,424	56,502	77,840	298,187
14								
15	Revenue Requirement Difference	-	-	-	-	-	-	-
16								
17								

18	<b>Derivation of Balance Owed PGE @ 9/30/2000:</b>	
19	80,200	Trojan Plant in Service Balance @ 04/01/95
20	(37,647)	Recovery of Plant in Service Balance Over Period 04/01/95 - 09/30/00
21	175,639	Trojan Reg Asset Balance @ 4/1/95 (\$340 + \$27 - \$111 - \$80)
22	(114,387)	Recovery of Trojan Reg Asset Over Period 4/1/95-9/30/00
23	52,141	Remaining Balance for Reg Assets @ 09/30/00
24	155,946	Balance Owed PGE @ 9/30/2000

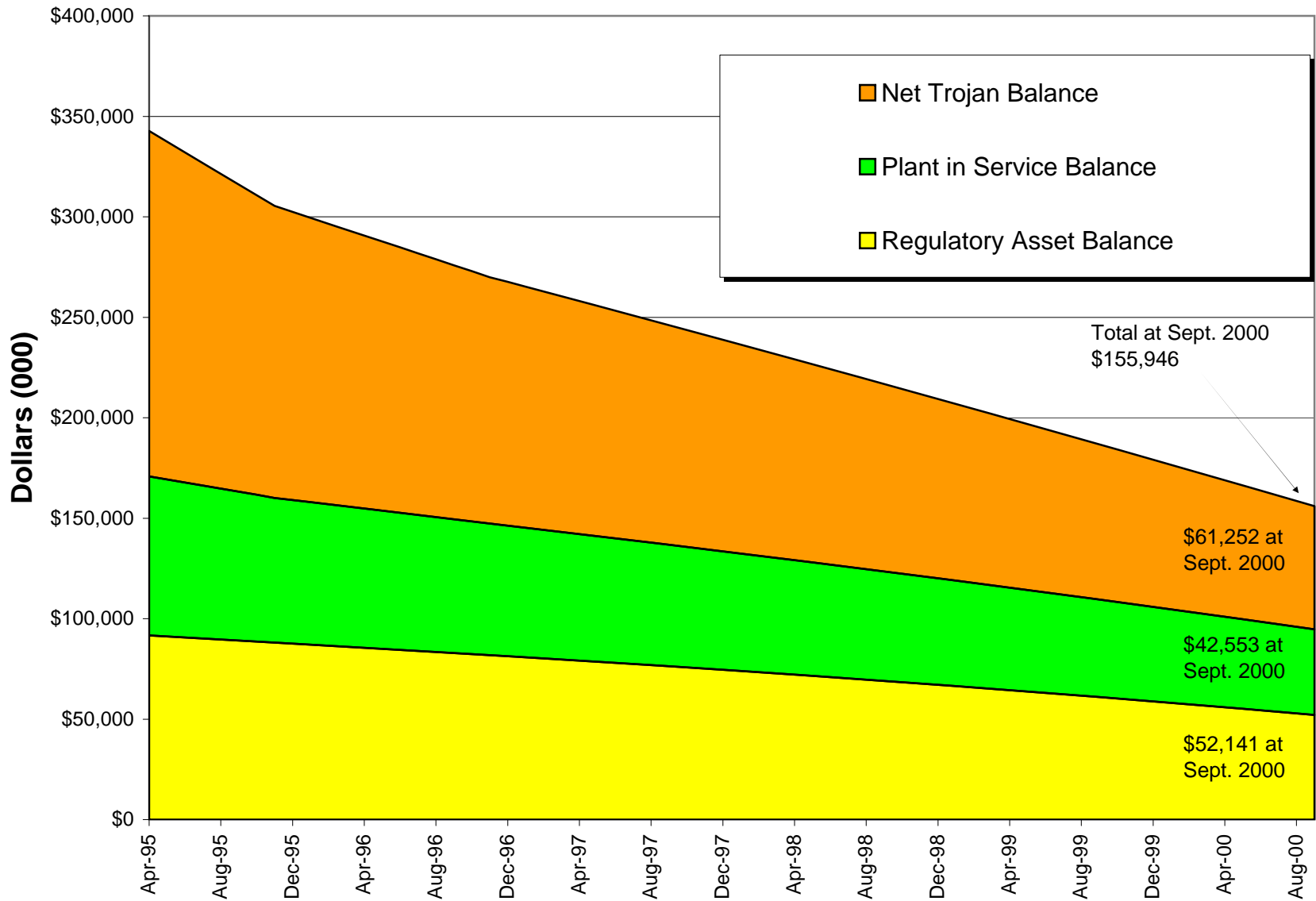
PGE Exhibit 7401

# Trojan Balance Scenario - Monthly Revenue Requirements



PGE Exhibit 7402-1

# Trojan Balance Scenario - Outstanding Principal Balances



PGE Exhibit 7402-2

	A	B	C	D	E (E = A)	F (F = A + B)	G (G=A+B+C+D)	
Start of Period	04/01/95	11/28/95	04/01/96	12/01/96	"8-month"	"One-Year"	"5.5 Year"	
End of Period	11/27/95	03/31/96	11/30/96	09/30/00	Impact	Impact	Impact	
Number of Months	7.90	4.10	8	46	7.90	12	66	201
Docket	UE 88	UE 93	UE 93	UE 100				
Annual Revenue Requirement (\$000)	943,333	995,498	995,498	958,669				
Period Revenue Requirement (\$000)	621,028	340,128	663,665	3,674,898				

**Five-Year Scenario**

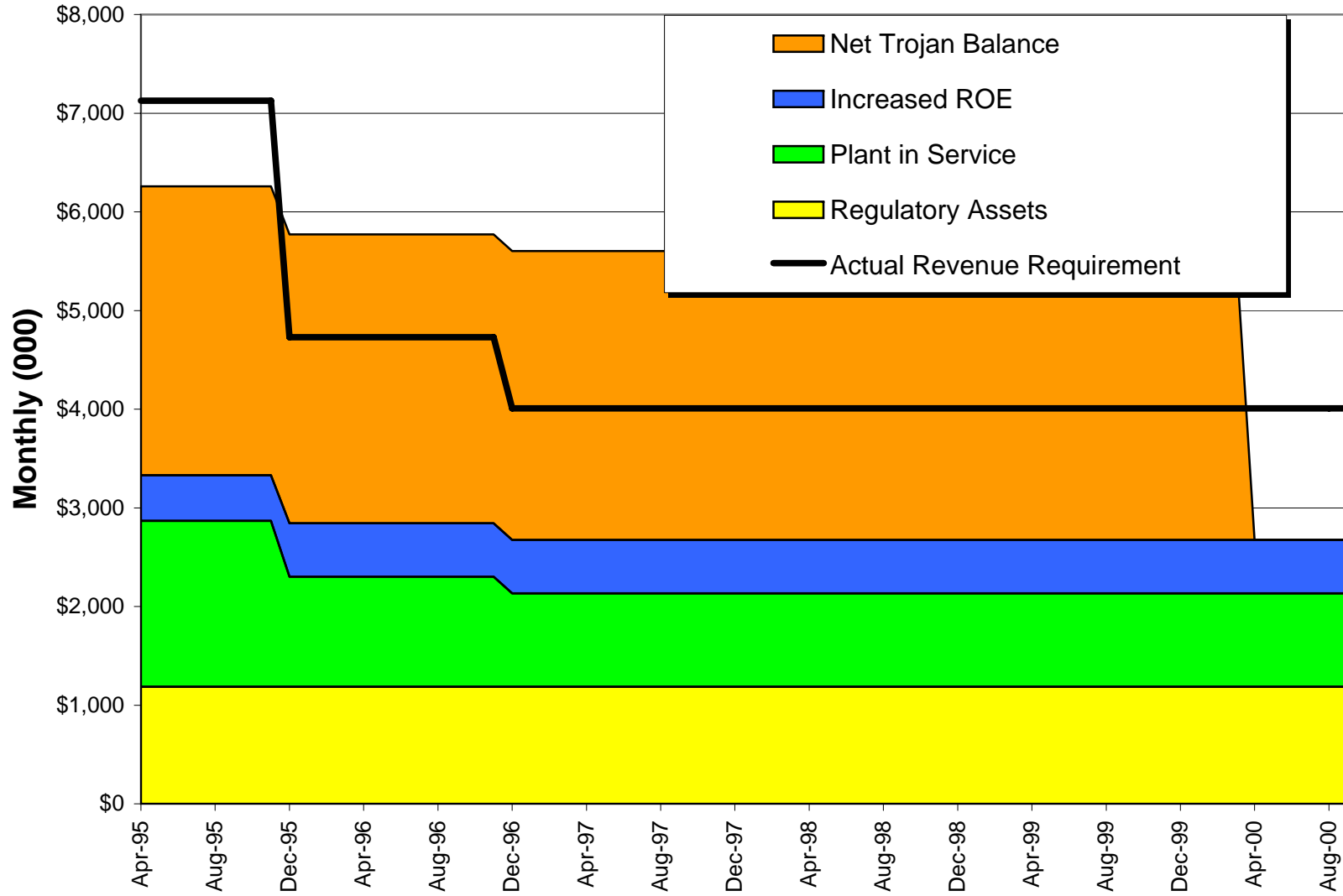
Scenario Revenue Requirement:

1	Plant in Service - Return On	5,221	2,396	4,452	20,587	5,221	7,618	32,657
2	Plant in Service - Recovery Of	8,100	2,635	4,018	22,894	8,100	10,735	37,647
3	50 Basis Pts. ROE Increase	3,649	2,220	4,333	24,912	3,649	5,870	35,114
4	Collection of Trojan and 26.8, Net of Class. In-Service and Board., Over 5 Years	23,126	12,002	23,419	117,093	23,126	35,128	175,639
5	First Year Power Costs	-	-	-	-	-	-	-
6	Reg. Assets Collection Over 10 Years	9,382	4,869	9,501	54,630	9,382	14,251	78,382
7	Deferred First-Year Power Cost Collection Over 10 Years	-	-	-	-	-	-	-
8	Total Scenario Revenue Requirement Changes	49,479	24,123	45,721	240,117	49,479	73,601	359,439
9								
10	Revenue Requirement per Rate Cases:							
11	First Year Power Costs	-	-	-	-	-	-	-
12	Trojan Revenue Requirement	56,502	21,338	35,923	184,424	56,502	77,840	298,187
13	Trojan and Power Cost Revenue Requirement	56,502	21,338	35,923	184,424	56,502	77,840	298,187
14								
15	Revenue Requirement Difference	(7,023)	2,784	9,799	55,693	(7,023)	(4,239)	61,252
16								
17								

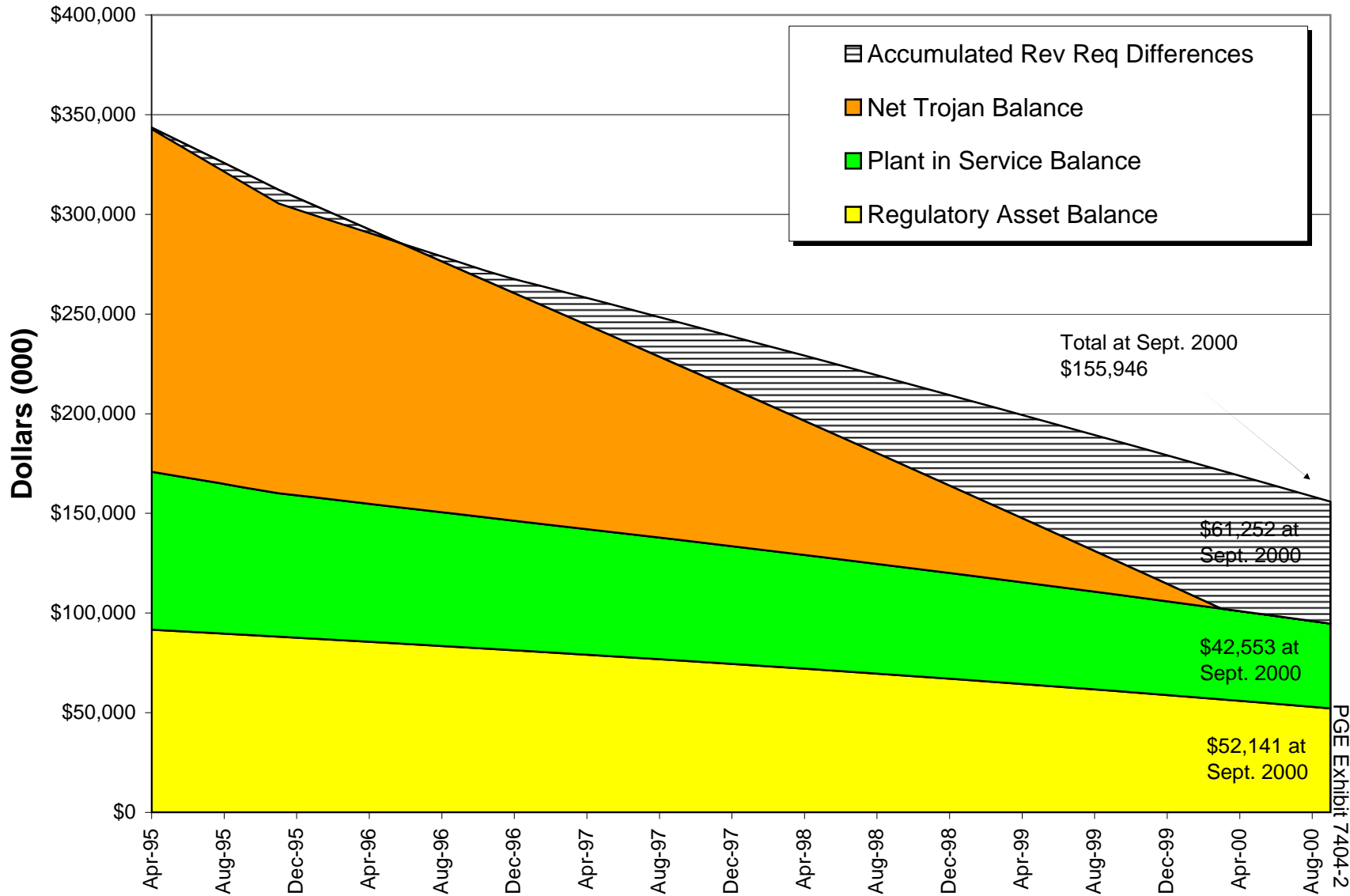
18 Derivation of Balance Owed PGE @ 9/30/2000:

19	80,200	Trojan Plant in Service Balance @ 04/01/95
20	(37,647)	Recovery of Plant in Service Balance Over Period 04/01/95 - 09/30/00
21	61,252	Revenue Requirement Differential (Scenario Revenue Requirement Less Trojan & Pwr Cost Rev. Req.)
22	52,141	Remaining Balance for Reg Assets @ 09/30/00
23	155,946	Balance Owed PGE @ 9/30/2000

# Five-Year Scenario - Monthly Revenue Requirements



# Five-Year Scenario - Outstanding Principal Balances





	A	B	C	D	E (E = A)	F (F = A + B)	G (G=A+B+C+D)
Start of Period	04/01/95	11/28/95	04/01/96	12/01/96	"8-month"	"One-Year"	"5.5 Year"
End of Period	11/27/95	03/31/96	11/30/96	09/30/00	Impact	Impact	Impact
Number of Months	7.90	4.10	8	46	7.90	12	66
Docket	UE 88	UE 93	UE 93	UE 100			
Annual Revenue Requirement (\$000)	943,333	995,498	995,498	958,669			
Period Revenue Requirement (\$000)	621,028	340,128	663,665	3,674,898			

**Staff Alternative (One-Year Trojan Collection)**

Scenario Revenue Requirement:

1	Plant in Service - Return On	5,221	2,396	4,452	20,587	5,221	7,618	32,657
2	Plant in Service - Recovery Of	8,100	2,635	4,018	22,894	8,100	10,735	37,647
3	25 Basis Pts. ROE Increase							
4	Collection of Trojan and 17.6, Net of Class. In-Service and Board., Over One Year	109,593	56,878	-	-	109,593	166,471	166,471
5	First Year Power Costs	-	-	-	-	-	-	-
6	Reg. Assets Collection Over 10 Years	9,382	4,869	9,501	54,630	9,382	14,251	78,382
7	Deferred First-Year Power Cost Collection Over 10 Years	-	-	-	-	-	-	-
8	Total Scenario Revenue Requirement Changes	132,297	66,778	17,970	98,112	132,297	199,075	315,157
9								
10	Revenue Requirement per Rate Cases:							
11	First Year Power Costs	-	-	-	-	-	-	-
12	Trojan Revenue Requirement	56,502	21,338	35,923	184,424	56,502	77,840	298,187
13	Trojan and Power Cost Revenue Requirement	56,502	21,338	35,923	184,424	56,502	77,840	298,187
14								
15	Revenue Requirement Difference	75,795	45,439	(17,952)	(86,312)	75,795	121,235	16,970
16								
17								

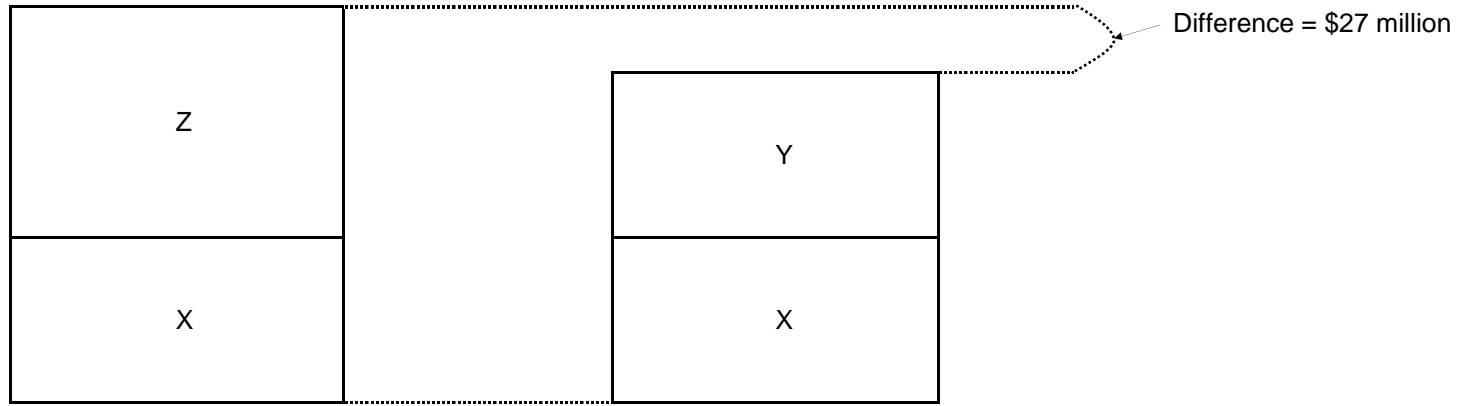
18 Derivation of Balance Owed PGE @ 9/30/2000:

19	80,200	Trojan Plant in Service Balance @ 04/01/95
20	(37,647)	Recovery of Plant in Service Balance Over Period 04/01/95 - 09/30/00
21	16,970	Revenue Requirement Differential (Scenario Revenue Requirement Less Trojan & Pwr Cost Rev. Req.)
22	47,287	Interest on Revenue Requirement Differential
23	52,141	Remaining Balance for Reg Assets and Deferred Power Costs @ 09/30/00
24	158,951	Balance Owed PGE @ 9/30/2000

### Original UE 88 Net Benefit Test

Variable Description

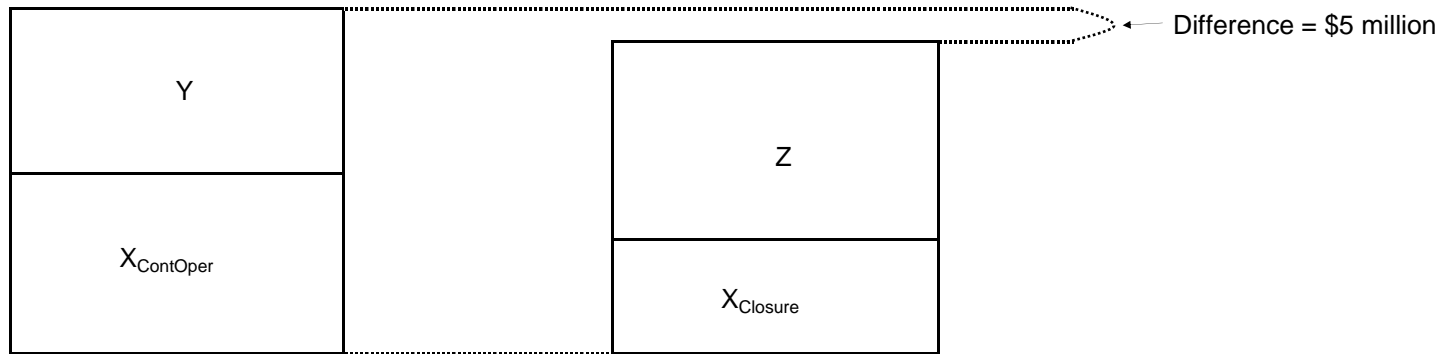
- X Cost to customers of the unamortized Trojan balance (same in either case)
- Y Expected allowable long-term costs of continued Trojan operation
- Z Replacement resource costs (in case of closure)



$$(X + Z) - (X + Y) = \$27 \text{ million}$$

### Net Benefit Test: Five-Year Amortization Scenario

Variable	Description
$X_{\text{ContOper}}$	Cost to customers of the unamortized Trojan balance (in continued operation case)
$X_{\text{Closure}}$	Cost to customers of the unamortized Trojan balance (in closure case)
Y	Expected allowable long-term costs of continued Trojan operation
Z	Replacement resource costs (in case of closure)



$$(X_{\text{ContOper}} + Y) - (X_{\text{Closure}} + Z) = \$5 \text{ million}$$

### Net Benefit Test: Retirement of Trojan Balance Scenario

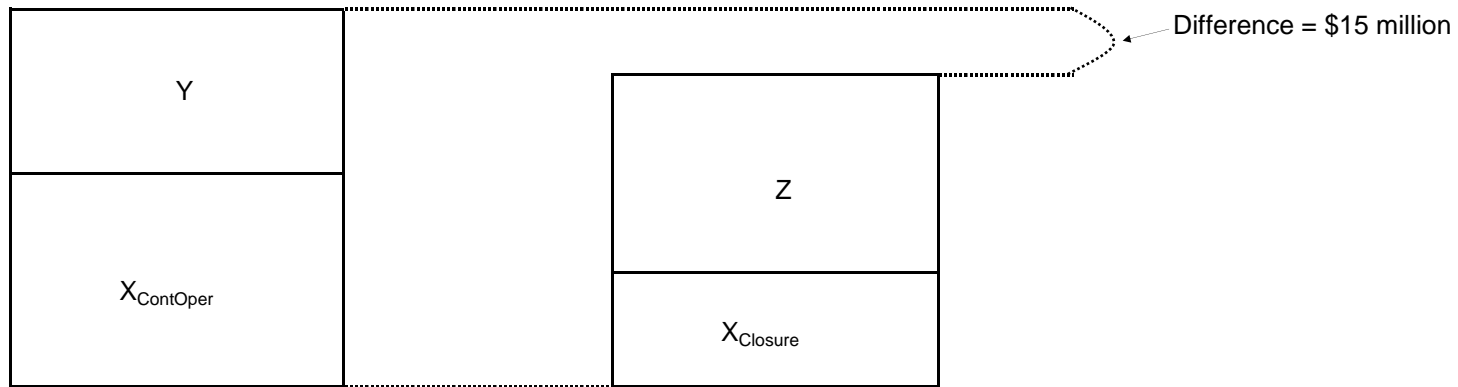
Variable Description

$X_{\text{ContOper}}$  Cost to customers of the unamortized Trojan balance (in continued operation case)

$X_{\text{Closure}}$  Cost to customers of the unamortized Trojan balance (in closure case)

Y Expected allowable long-term costs of continued Trojan operation

Z Replacement resource costs (in case of closure)



$$(X_{\text{ContOper}} + Y) - (X_{\text{Closure}} + Z) = \$15 \text{ million}$$

**UM 989 Net Benefit Analyses**  
**Dollars in Millions**

PGE Exhibit 7409

Original Analysis Per PUC order 02-227 p. 4

	<u>No Settlement</u>	<u>Settlement</u>	<u>Net Benefit</u>
Remaining Trojan	180.5		(180.5)
FAS 109 Balance	47.4		(47.4)
Net credit balance	(161.9)		161.9
New Reg asset		36.7	36.7
Neil Dist	0.0	15.4	15.4
Customer Credit		(2.5)	(2.5)
<b>Total</b>	<b>66.0</b>	<b>49.6</b>	<b>(16.4)</b>

Base Analysis on Actual NEIL Distribution

	<u>No Settlement</u>	<u>Settlement</u>	<u>Net Benefit</u>
Remaining Trojan	180.5		(180.5)
FAS 109 Balance	47.4		(47.4)
Net credit balance	(161.9)		161.9
New Reg asset		36.7	36.7
Neil Dist	15.4	15.4	0.0
Customer Credit	0.0	(2.5)	(2.5)
<b>Total</b>	<b>81.4</b>	<b>49.6</b>	<b>(31.8)</b>

Staff 1-Year Case (w/Actual NEIL Distribution)

	<u>No Settlement</u>	<u>Settlement</u>	<u>Net Benefit</u>
Remaining Trojan	158.9		(158.9)
FAS 109 Balance	47.4		(47.4)
Net credit balance	(161.9)		161.9
New Reg asset		36.7	36.7
Neil Dist	15.4	15.4	0.0
Customer Credit		(2.5)	(2.5)
<b>Total</b>	<b>59.8</b>	<b>49.6</b>	<b>(10.2)</b>

Staff 1-Year Case (w/ NEIL per UM 989 Net Benefit Test)

	<u>No Settlement</u>	<u>Settlement</u>	<u>Net Benefit</u>
Remaining Trojan	158.9		(158.9)
FAS 109 Balance	47.4		(47.4)
Net credit balance	(161.9)		161.9
New Reg asset		36.7	36.7
Neil Dist	0.0	15.4	15.4
Customer Credit		(2.5)	(2.5)
<b>Total</b>	<b>44.4</b>	<b>49.6</b>	<b>5.2</b>

Five-Year Amort (w/Actual NEIL Distribution)

	<u>No Settlement</u>	<u>Settlement</u>	<u>Net Benefit</u>
Remaining Trojan	155.9		(155.9)
FAS 109 Balance	47.4		(47.4)
Net credit balance	(161.9)		161.9
New Reg asset		36.7	36.7
Neil Dist	15.4	15.4	0.0
Customer Credit		(2.5)	(2.5)
<b>Total</b>	<b>56.8</b>	<b>49.6</b>	<b>(7.2)</b>

Five-Year Amort (w/ NEIL per UM 989 Net Benefit Test)

	<u>No Settlement</u>	<u>Settlement</u>	<u>Net Benefit</u>
Remaining Trojan	155.9		(155.9)
FAS 109 Balance	47.4		(47.4)
Net credit balance	(161.9)		161.9
New Reg asset		36.7	36.7
Neil Dist	0.0	15.4	15.4
Customer Credit		(2.5)	(2.5)
<b>Total</b>	<b>41.4</b>	<b>49.6</b>	<b>8.2</b>

Retirement of Trojan Balance (w/Actual NEIL Distribution)

	<u>No Settlement</u>	<u>Settlement</u>	<u>Net Benefit</u>
Remaining Trojan	155.9		(155.9)
FAS 109 Balance	47.4		(47.4)
Net credit balance	(161.9)		161.9
New Reg asset		36.7	36.7
Neil Dist	15.4	15.4	0.0
Customer Credit		(2.5)	(2.5)
<b>Total</b>	<b>56.8</b>	<b>49.6</b>	<b>(7.2)</b>

Retirement of Trojan Balance (w/ NEIL per UM 989 Net Benefit Test)

	<u>No Settlement</u>	<u>Settlement</u>	<u>Net Benefit</u>
Remaining Trojan	155.9		(155.9)
FAS 109 Balance	47.4		(47.4)
Net credit balance	(161.9)		161.9
New Reg asset		36.7	36.7
Neil Dist	0.0	15.4	15.4
Customer Credit		(2.5)	(2.5)
<b>Total</b>	<b>41.4</b>	<b>49.6</b>	<b>8.2</b>

## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Portland General Electric Company's Motion for Leave to File Supplemental Testimony and Testimony and Exhibits of Portland General Electric Company: Pamela G. Lesh - PGE/7200 (Policy); Patrick G. Hager - PGE/7300 (Cost of Capital); Jay Tinker, Stephen Schue and Patrick G. Hager - PGE/7400-7409 (Quantative Analysis)** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service.

Dated at Portland, Oregon, this 31st day of January 2007.

  
\_\_\_\_\_  
J. JEFFREY DUDLEY

**UE 88/DR 10/ UM 989 SERVICE LIST**

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<p>Stephanie Andrus Assistant Attorney General Regulated Utility and Business Section 1162 Court Street NE Salem, OR 97301-4096 <a href="mailto:stephanie.andrus@state.or.us">stephanie.andrus@state.or.us</a></p>	<p>Linda K. Williams Attorney at Law 10266 SW Lancaster Road Portland, OR 97219-6305 <a href="mailto:linda@lindawilliams.net">linda@lindawilliams.net</a></p>