



Oregon

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November 3, 2009

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
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SALEM OR 97308-2148

RE: **Docket No. UM 1373 – In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Application for Deferral of Investigation and Remediation Response Costs Associated with the Portland Harbor and Harbor Oil Superfund Sites Cleanup and Restoration.**

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Reply Testimony.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UM 1373 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1373

**STAFF REPLY TESTIMONY OF
Carla Owings**

**In the Matter of
PORTLAND GENERAL ELECTRIC COMPANY
Application for Deferral of Investigation and
Remediation Response Costs Associated with the
Portland Harbor and Harbor Oil Superfund Sites
Cleanup and Restoration.**

**REDACTED VERSION
November 3, 2009**

CASE: UM 1373
WITNESS: Carla Owings

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Reply Testimony

November 3, 2009

**CERTAIN INFORMATION CONTAINED IN STAFF EXHIBIT 100
IS CONFIDENTIAL AND SUBJECT TO PROTECTIVE
ORDER NO. 08-240. YOU MUST HAVE SIGNED
APPENDIX B OF THE PROTECTIVE ORDER IN
DOCKET UM 1373 TO RECEIVE THE
CONFIDENTIAL VERSION
OF THIS EXHIBIT.**

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Carla Owings. I am a Senior Revenue Requirements analyst
4 employed by the Public Utility Commission. My business address is 550
5 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
7 **EXPERIENCE.**

8 A. My Witness Qualification Statement is found in Exhibit Staff/101.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. I discuss Staff's analysis of Portland General Electric Company's ("PGE")
11 application to defer "environmental costs" associated with the Portland Harbor
12 Superfund Site, Harbor Oil Superfund Site and the Oak Grove Hydroelectric
13 Facility and also provide Staff's recommendation regarding the application.

14 **Q. WHAT IS STAFF'S RECOMMENDATION REGARDING THE**
15 **APPLICATION TO DEFER?**

16 A. Staff recommends the Commission deny PGE's request to defer because the
17 magnitude of costs PGE has identified are not sufficient to warrant deferral
18 under the Commission's discretionary criteria for deferral.

19 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

20 A. Yes. I prepared Confidential Exhibit Staff/102, consisting of one page.

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. First, I describe the statutory and discretionary criteria applied to a deferral
23 application submitted under ORS 757.259(2)(e). Second, I describe the costs

1 at issue in PGE's application. Third, I analyze whether the application satisfies
2 the statutory criteria and whether the application satisfies the Commission's
3 discretionary criteria.

4 **Q. PLEASE DESCRIBE THE CRITERIA REQUIRED UNDER ORS**
5 **757.259(2)(E) FOR A UTILITY'S APPLICATION SUBMITTED.**

6 A. The Commission has a two-part review process for deferred accounting
7 applications. The Commission must first determine whether the statutory
8 criteria of ORS 757.259(2)(e) are satisfied. Specifically, the Commission
9 determines whether the requested deferral will either minimize the frequency
10 of rate changes or appropriately match the costs borne by, and the benefits
11 received by, ratepayers.

12 Second, the Commission determines whether it should exercise its discretion
13 to grant the requested deferral. To do this, the Commission examines two
14 interrelated factors: the type of event giving rise to the deferral and the
15 magnitude of the amount to be deferred. If the event was considered to have
16 modeled or foreseen when rates were set, without extenuating circumstances,
17 the magnitude of harm must be substantial in order to warrant the
18 Commission's exercise of discretion in opening a deferred account. If it is
19 determined that the event was neither modeled nor foreseen, or if extenuating
20 circumstances occurred that were not foreseen, then the magnitude of harm
21 that would justify deferral would likely be lower. (Order No. 05-1070 at 7.)
22 The Commission elaborated on this analysis in its order in its extensive
23 investigation into the use of deferred accounting in Docket No. UM 1147:
24

1 First the Commission will examine the triggering event that
2 led to the deferral application. The utility bears the burden of
3 identifying the event and showing its significance. The
4 Commission will look to whether the event was modeled in
5 rates, and, if so, whether extenuating circumstances were
6 involved that were not foreseeable during the rate case, or
7 whether the event fell within a foreseen range of risk when
8 rates were last set. If the event was not modeled, [the
9 Commission] will consider whether it was foreseeable as
10 happening in the normal course of events, or not likely to
11 have been capable of forecast. The Commission will
12 examine whether or not the “risks are reasonably predictable
13 and quantifiable.” (Order No. 05-1070 at 10.)
14

15 **Q. PLEASE DESCRIBE THE COSTS AT ISSUE IN THIS DOCKET.**

16 A. The costs that PGE has incurred since it submitted its deferral application and
17 that it may incur in the proposed deferral period are a subset of the costs
18 described in PGE’s application for deferred accounting. In its application for
19 deferred accounting, PGE states that the costs at issue are all environmental
20 costs associated with PGE’s allocated share of liability in the Portland Harbor
21 and Harbor Oil Superfund Sites and at the Oak Grove facility. PGE describes
22 these costs as including, but not necessarily limited to, the costs related to
23 investigation, study, monitoring, oversight, legal expenses, remediation costs,
24 and all costs related to pursuing any contribution. (Application for
25 Reauthorization 1.) However, PGE’s testimony makes clear that costs to
26 remediate the Portland Harbor and Harbor Oil sites are not at issue because
27 these costs will not be incurred during the twelve- month deferral period
28 following PGE’s March 2009 deferral application.

1 **Q. DOES STAFF BELIEVE THAT PGE'S APPLICATION SATISFIES THE**
2 **FIRST LEVEL THE COMMISSION WOULD CONSIDER: THE STATUTORY**
3 **CRITERIA FOR DEFERRAL?**

4 A. It appears so. The amounts at issue are not sufficient to trigger a general rate
5 case filing, however, Staff does not agree with PGE's assertion that the
6 deferral will minimize the frequency of rate changes. The deferral could
7 potentially match costs incurred by the Company and benefits received by
8 customers. PGE's cooperation with and participation in the Environmental
9 Protection Agency's (EPA) investigations into the Portland Harbor and Harbor
10 Oil sites and with the U.S. Forest Service's investigation into contamination
11 near the Oak Grove facility could potentially benefit customers. PGE's
12 cooperation could mitigate the potential for PGE to be fined by the EPA or U.S.
13 Forest Service. Also, PGE's participation in these investigations could protect
14 its long-term interests, as well as those of its customers.

15 That said, the criteria described above in Commission Order 05-1070,
16 requires the utility to demonstrate the significance of these costs as well as
17 whether there were extenuating circumstances. Staff believes in order to
18 demonstrate the significance it would be such that non-recovery of these costs
19 would have a material financial impact on the Utility and would prevent the
20 Utility from earning its authorized rate of return. Staff does not believe that non-
21 recovery of the [REDACTED] related to the deferral of these costs for
22 2009 would represent a severe financial impact for PGE.

1 **Q. DOES STAFF BELIEVE THAT PGE’S APPLICATION SATISFIES THE**
2 **COMMISSION’S DISCRETIONARY CRITERIA FOR DEFERRAL?**

3 A. No. Staff does not believe that the magnitude of the costs is sufficient to
4 satisfy the Commission’s discretionary criteria for a deferral. As noted above,
5 the Commission examines interrelated factors to determine whether deferral is
6 warranted: the nature of the event and its impact on the utility. Costs for the
7 EPA’s investigation into the Portland Harbor and Harbor Oil sites were
8 modeled in PGE’s last rate case. Accordingly, costs must be substantial or
9 unforeseen in order to merit deferral.

10 Costs associated with the investigation into contamination at the Oak
11 Grove facility and for remediation were not modeled in PGE’s last rate case.
12 Accordingly, these costs need only be material to warrant deferral. The costs
13 reported by PGE are neither material nor substantial; therefore, deferral is not
14 warranted.

15 **Q. WHAT EVENT OR EVENTS DID PGE IDENTIFY AS THE TRIGGER FOR**
16 **THE DEFERRAL APPLICATION RELATED TO PORTLAND HARBOR**
17 **AND HARBOR OIL?**

18 A. The initial trigger for the costs at issue for the Portland Harbor and Harbor Oil
19 sites are letters from the Environmental Protection Agency (“EPA”) notifying
20 PGE that it is a Potentially Responsible Party (“PRP”) for contamination of the
21 Willamette River. However, as noted in PGE’s annual 10K reports to the
22 Security and Exchange Commission, these events happened years ago.
23 Because these events happened years ago, Staff agrees that the appropriate

1 analysis is to examine the extent to which PGE's costs associated with the
2 ongoing investigations of the contaminated sites were foreseeable.

3 **Q. ARE COSTS ASSOCIATED WITH THE THREE CONTAMINATED SITES**
4 **INCLUDED IN PGE'S RATES?**

5 A. PGE modeled costs associated with Portland Harbor and Harbor Oil
6 investigations in its last three general rate cases, Docket No. UE 115, Docket
7 No. UE 180 and Docket No. UE 197. In its review of the deferral application,
8 Staff analyzed whether costs greater than those modeled in rates are due to
9 extenuating circumstances that were not foreseeable. PGE has not identified
10 any trigger or change in the status of the ongoing investigations at these sites
11 that demonstrate a change in the status for these sites in the past three
12 general rate cases. Because these costs are not due to unforeseeable
13 extenuating circumstances, they must be substantial in order to satisfy the
14 Commission's discretionary criteria for deferral.

15 PGE did not model in its last rate case costs associated with the
16 investigation into, and remediation of, contamination at the Oak Grove facility.
17 It does not appear these costs were foreseeable prior to the time PGE filed its
18 rate case.

19 **Q. WHAT ARE THE PERTINENT EVENTS RELATED TO THE OAK GROVE**
20 **FACILITY?**

21 A. The triggering event for costs related to the Oak Grove facility appears to be
22 the discovery of PCB contaminants at the site between 2005 and 2008 and
23 discovery of lead contamination sometime before 2008. Staff agrees that the

1 appropriate analysis for these costs should also focus on the costs themselves,
2 rather than the triggering event.

3 **Q. PLEASE EXPLAIN YOUR CONCLUSION THAT COSTS ASSOCIATED**
4 **WITH THE PORTLAND HARBOR SITE IS NOT DUE TO EXTENUATING**
5 **CIRCUMSTANCES.**

6 A. PGE reports that when it established the 2009 test year for its February 27,
7 2008 general rate case filing, PGE included estimated costs of \$100,000 for the
8 Portland Harbor clean-up site. In its testimony, PGE attributes the increased
9 Portland Harbor costs to a “104(3) request for documents” received in January
10 2008 and “inherent uncertainties associated with the [Portland Harbor]
11 process.” (PGE/100, Behbahani-Divers-Hager/10.)

12 PGE received the 104(e) request in January 2008, several weeks before it
13 filed its general rate case on February 27, 2008. In addition to the general rate
14 proceeding typically consuming most of the nine-month suspension period, on
15 April 3, 2008, PGE filed an Errata filing in that proceeding. As late as May of
16 2008, PGE proposed to Staff its desire to update costs associated with
17 insurance information it felt was pertinent to the filing; however, ultimately
18 chose not to amend its filing a second time.

19 Nonetheless, PGE asserts that it “could not reasonably update its
20 estimates for the test year” to include costs of responding to the 104(e) request
21 for information because “at the time,” the scope of the required response was
22 not known. (PGE/100, Behbahani-Divers-Hager/9-10.) Given that PGE knew
23 of its obligation to respond to the 104(e) request prior to the time it filed its last

1 general rate case, Staff disagrees with PGE's characterization of costs
2 associated with the Portland Harbor investigation as unforeseeable. What PGE
3 characterizes as an issue of unforeseeability appears to be one of timing. By
4 March 31, 2008, PGE had responded to Staff's requests for information related
5 to estimates of Portland Harbor and Harbor Oil costs. Staff believes PGE could
6 have included a more accurate estimate of the Portland Harbor-related costs in
7 its April Errata filing. PGE's claim that inherent uncertainties of the investigative
8 process also contributed to PGE's inability to estimate Portland Harbor costs is
9 not supported by PGE's detailed description of the investigative process and by
10 PGE's description of its role in the investigation.

11 PGE reports that it is not one of the PRPs that has assumed initial
12 responsibility for the Remedial Investigation/Feasibility Study ("RI/FS"), and
13 accordingly, is not currently incurring costs associated with that. PGE reports
14 that it is participating in the Allocation Process. (PGE/100, Behbehani-Divers-
15 Hager/7,18-20.) PGE provides a description of that process and an estimated
16 timeline for its completion. (PGE/100, Behbehani-Divers-Hager/3-6, 18-20.)
17 Given that PGE has known its role in the investigation for some time, is clearly
18 aware of how such investigations progress, and is aware of the current timeline
19 for this investigation, it is not clear how inherent uncertainties of the
20 investigative process made the costs at issue unforeseeable. However, as
21 discussed below, even assuming inherent uncertainties led to PGE's
22 underestimating test period costs for Portland Harbor, and that inherent
23 uncertainties are extenuating circumstances under the Commission's review of

1 deferral applications, the magnitude of the costs is not sufficient to warrant
2 deferral.

3 **Q. DOES STAFF DRAW THE SAME CONCLUSIONS THAT COSTS**
4 **ASSOCIATED WITH THE HARBOR OIL SITE WERE NOT DUE TO**
5 **EXTENUATING CIRCUMSTANCES?**

6 A. Yes. It is not clear that there any costs for the Harbor Oil site to be deferred
7 under the application. PGE modeled costs associated with the Harbor Oil site
8 into the 2009 test year that is the basis for PGE's 2009 rates. PGE's
9 confidential exhibit 102 shows that amount PGE actually budgeted for Portland
10 Harbor for 2009 is [REDACTED] than the test year amount and that its actual
11 costs for Portland Harbor through [REDACTED]
12 [REDACTED] (PGE/102C, Behbehani-Divers-Hager/1.)

13 Even if PGE will incur costs associated with Harbor Oil in 2009 that
14 exceed what is included in rates, PGE has not demonstrated that such costs
15 are due to extenuating circumstances that could not have been foreseen prior
16 to the last rate case. PGE's testimony reflects that on May 27, 2007, PGE,
17 the EPA and six other parties signed an Administrative Settlement Agreement
18 and Order on Consent to implement an RI/FS at the Harbor Oil Site.
19 (PGE/100, Behbehani-Divers-Hager/21-22.) PGE could reasonably foresee
20 costs stemming from this Agreement and Order on Consent at the time it
21 submitted its general rate case filing on February 27, 2008.

1 **Q. PLEASE EXPLAIN YOUR CONCLUSION THAT COSTS ASSOCIATED**
2 **WITH THE OAK GROVE FACILITY DO NOT APPEAR TO HAVE BEEN**
3 **FORSEEABLE.**

4 A. PGE states that there is more than one type of contamination at PGE's Oak
5 Grove facility. Sometime between 2005 and 2008, PGE discovered PCB
6 contamination near the Oak Grove facility. In April 2008, the U.S. Forest
7 Service notified PGE that the Forest Service would oversee and cleanup and
8 that the Forest Service would have to negotiate a Settlement Agreement and
9 Administrative Order on Consent before cleanup could commence. PGE has
10 completed the Engineering Evaluation/Cost Analysis for the PCB site and
11 expects to clean up the PCB contamination in summer 2010. (PGE/100,
12 Behbehani-Divers/23.)

13 In September 2008, PGE notified the United States Forest Service of
14 potential lead contamination under support trestles on Cripple Creek, Pint
15 Creek, and Canyon Creek. PGE states that it is currently waiting for the
16 Forest Service to require resolution of the lead contamination in a
17 comprehensive Administrative Order on Consent. PGE states that it
18 anticipates further investigation in 2010 and cleanup activities to occur in 2011.
19 (PGE/100, Behbahani-Divers-Hager/23.)

20 Costs associated with the cleanup of the Oak Grove facility were not
21 included in the 2009 test year in PGE's last general rate filing. Given that PGE
22 submitted its last general rate case filing on February 27, 2008, it does not
23 appear the costs associated with the Oak Grove facility were foreseeable.

1 Accordingly, costs associated with the Oak Grove facility need only be material
2 in order to satisfy the Commission's discretionary criteria for deferral. As
3 discussed below, the Oak Grove costs do not satisfy this standard and are not
4 eligible for deferral.

5 **Q. IN STAFF'S ANALYSIS THE COSTS APPEAR TO BE SITE BY SITE,**
6 **RATHER THAN IN TOTAL. DOES STAFF BELIEVE THIS IS THE**
7 **APPROPRIATE PERSPECTIVE?**

8 A. Given the circumstances presented in this docket Staff believes it is
9 appropriate to look at the costs for all the sites in total and to analyze the Oak
10 Grove Facility costs by themselves. This is because the costs for Portland
11 Harbor and Harbor Oil were modeled in rates, while the Oak Grove facility
12 costs were not. The Portland Harbor and Harbor Oil costs must be substantial
13 before they may be deferred, while the Oak Grove costs need only be
14 material. Accordingly, Staff analyzed whether the Oak Grove costs satisfied
15 the material standard, and whether the costs from all three projects combined
16 satisfied the substantial standard.

17 However, in addition, Staff believes the costs should be analyzed from the
18 perspective of looking at the total environmental budget established in PGE's
19 test periods. This is because Staff believes that PGE should be charged with
20 managing its costs between rate proceedings for individual projects within the
21 confines of its overall budget. Staff believes that since rates are established
22 based on a normalized look at revenues and expenses, isolating fluctuations
23 of individual costs that are within a much larger budget does not provide a full

1 picture of *other* expenses that may be greatly reduced when compared to the
2 original budgeted amount.

3 **Q. ARE ANY THE COSTS ELIGIBLE FOR DEFERRAL UNDER THE**
4 **COMMISSION'S DISCRETIONARY CRITERIA?**

5 A. No. The costs are not outside the normal business risk a utility is expected to
6 assume and for which the utility is compensated. PGE's confidential exhibit
7 102, which compares PGE's test year estimate for Environmental Services to
8 budgeted amounts for these services and to actual costs, illustrates this point.

9 **Q. PLEASE DESCRIBE THE DEFERRAL AMOUNTS REQUESTED BY PGE**
10 **IN ITS APPLICATION.**

11 A. (CONFIDENTIAL) [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED] (CONFIDENTIAL).

9 **Q. PGE SUGGESTS THAT BECAUSE ENVIRONMENTAL COSTS ARE**
10 **HARD TO PREDICT AND QUANTIFY THEN THEY ARE MORE LIKELY**
11 **TO WARRANT DEFERRED ACCOUNTING TREATMENT. DOES STAFF**
12 **AGREE WITH THIS ASSESSMENT?**

13 A. No. Staff believes that the assessment for deferred accounting needs to
14 consider a more inclusive scope than whether or not the costs are "difficult" to
15 predict and quantify. The Commission considers these factors on an
16 interrelated basis: the unpredictability and volatility in concert with the
17 materiality and recurring nature of the costs. For isolated costs between rate
18 cases that the utility identifies as unpredictable and difficult to quantify, the
19 materiality threshold should be held to a standard that the effect non-recovery
20 of the costs would cause severe financial consequences for the utility.

21 **Q. COULDN'T STAFF SIMPLY AUDIT THESE COSTS ON AN ANNUAL**
22 **BASIS AND REQUIRE A TRUE-UP FOR THE COSTS IN ORDER TO**

1 **ENSURE THAT A UTILITY CAN BE INSULATED FROM VOLATILE AND**
2 **DIFFICULT TO FORECAST EXPENSES?**

3 A. Staff believes that allowing cost trackers such as this can create perverse
4 incentives for a utility by allowing the Company to insulate itself from any risk
5 while providing only a minimal amount of benefit for the ratepayers. Staff
6 points out that the risk premium applied when calculating the Company's
7 authorized rate of return contemplates business risk and a certain amount of
8 volatility. There should be no expectation that the utility will earn its authorized
9 rate of return every year, only that such an opportunity exists.

10 Although Staff has the ability to audit the costs in a tracker on an annual
11 basis, the audit process does not replicate the review of the Company's entire
12 financial picture like that of a general rate proceeding. In other words, while
13 Staff can review costs for particular cost centers or by project codes, doing so
14 does not prevent the utility from shifting costs into responsibility centers or
15 project codes that would not necessarily be detectable during an audit. This
16 can be demonstrated in Staff Exhibit 102, Owings/1 where PGE denotes in an
17 explanation at the bottom of the page that a management decision was made
18 to shift the ODFW Hatchery Contract Fees (Clackamas & Round Butte
19 Hatcheries) and Professional Services costs associated with the new Pelton
20 Round Butte License to the environmental Services Budget from RCs 172 and
21 121 beginning in 2007. Although the indication in the note is that the costs are
22 shifting "beginning in 2007", the management decision was a recent decision
23 causing these expenses to appear in Supplemental Responses to the original

1 data request and did not appear in the original May of 2009 response to Data
2 Request No. 011.

3 **Q. DOES STAFF BELIEVE THAT PGE HAS INAPPROPRIATELY SHIFTED**
4 **COSTS TO ITS ENVIRONMENTAL SERVICES BUDGET?**

5 A. No. While Staff does not challenge in this proceeding whether PGE has
6 properly categorized its costs related to Environmental Services, I only point out
7 that the opportunity to do cost shifting exists and is more difficult to detect in an
8 audit as opposed to a general rate case proceeding. Also, other non-related
9 costs, such as Operating and Maintenance Expenses for the Pelton Round
10 Butte facility that were approved in the UE 197 proceeding, must be much
11 lower than originally estimated in the UE 197 test period because the Selective
12 Water Withdrawal is not in operation. Therefore, the shifting of expenses that
13 *could have been* originally included in O&M for the Pelton Round Butte facility
14 into the Environmental Services budgets may make the Environmental Services
15 budget appear to be larger than originally forecast. The audit would not detect
16 the lower O&M attributable to Pelton Round Butte which could potentially more
17 than off-set the effects of the volatility in Environmental Services budget. Staff
18 believes this potential exists for *any* cost tracker type mechanism and believes
19 this demonstrates yet another good reason for the Commission to stick to its
20 current standards of requiring the utility to demonstrate the materiality of a
21 deferral before authorizing a cost tracking mechanism.

22 **Q. IT SOUNDS AS THOUGH STAFF WOULD NOT SUPPORT ANY COST**
23 **TRACKERS BETWEEN GENERAL RATE CASES EVEN THOUGH THIS**

1 **COMMISSION HAS ESTABLISHED SEVERAL MECHANISMS THAT**
2 **ALLOW COST RECOVERY OF MANY TYPES OF COSTS FOR OREGON**
3 **UTILITY COMPANIES. IS THIS TRUE?**

4 A. Staff acknowledges that many of the utilities, in fact, nearly all utilities in
5 Oregon, have cost-tracking mechanisms in place that allow recovery of costs
6 between rate cases. However, the majority of these mechanisms allow for the
7 recovery of substantial costs such as fluctuation in resource costs. Resource
8 costs can represent greater than 60 percent of a utility Company's overall
9 annual expenses. In addition, these mechanisms typically have sharing
10 mechanisms attached to them in order to incent the utility to benefit if it
11 achieves a lower cost than it originally forecast.

12 Staff believes that allowing trackers between rate cases for costs that are
13 not demonstrated to be substantial enough to cause severe financial harm also
14 allows the Company to shift the risk to ratepayers for costs that may only
15 minimally benefit ratepayers while fully insulating the Company from any risk.

16 **Q. STAFF RECOMMENDED THAT THE COMMISSION APPROVE PGE'S**
17 **FIRST APPLICATION TO DEFER ENVIRONMENTAL COSTS ASSOCIATED**
18 **WITH THE PORTLAND HARBOR AND HARBOR OIL SITES. WHY DOES**
19 **STAFF RECOMMEND DISAPPROVAL OF PGE'S REQUEST TO RE-**
20 **AUTHORIZE THE DEFERRAL?**

21 A. The change in Staff's position is based on a few factors. First, Staff now has a
22 better understanding of the dollars at issue. Had Staff known that the amount
23 of money to be deferred under the 2008 application was only \$0.8 million Staff

1 would not have recommended approval because this amount does not meet
2 the Commission's discretionary criteria for a deferral under ORS 757.259(2)(e).
3 Staff now has a better understanding of the costs at issue. The costs at issue
4 in the 2009 application are more than the costs deferred under the 2008
5 application, but still are within the range of normal business risk a utility is
6 expected to absorb.

7 **Q. PGE NOTES THAT NW NATURAL HAS DEFERRED COSTS LIKE THOSE**
8 **AT ISSUE IN THIS DOCKET. HOW DOES PGE'S APPLICATION DIFFER**
9 **FROM NW NATURAL'S?**

10 A. PGE's application is distinguishable from those of NW Natural for a few
11 reasons. Every year since 2003, NW Natural has sought deferral of costs
12 related to investigation into and remediation of several contaminated sites. To
13 the extent that the costs at issue in NW Natural's first applications to defer
14 costs are similar to those at issue in this docket, any Commission decisions on
15 those applications are not informative because they predate Order No. 05-
16 1070, in which the Commission enunciated its two-step analysis for all deferred
17 accounting applications submitted under ORS 757.259(e). The costs at issue
18 in NW Natural's applications since 2005 have a much more significant impact
19 on NW Natural than the costs at issue in this application could have on PGE.
20 As of December 31, 2007, NW Natural had spent almost \$28 million in
21 connection with the investigation and remediation of contaminated sites and
22 had accrued liabilities of approximately \$68 million. (Order No. 08-427 at 3.)

1 NW Natural spent another \$8 million during 2008 and accrued an additional
2 liability of \$2 million.

3 PGE reports that from March 2009 through July 2009 it will have deferred
4 approximately [REDACTED] under the application. However, only [REDACTED] of
5 that deferral would be for actual costs that PGE has incurred. Approximately
6 [REDACTED] of that deferral is for a liability that PGE accrued in June 2009, but
7 for which PGE will incur costs in 2009, 2010, and 2011, with the bulk incurred in
8 2011. One could assume, for the sake of argument, that PGE incurs
9 expenses during the entire proposed deferral period that is **ten times** what it
10 incurred during the first five months of the deferral period, then the amount at
11 issue would be [REDACTED]. [REDACTED] is approximately [REDACTED] of PGE's
12 gross operating revenues for 2008 and approximately [REDACTED] basis points of
13 ROE.

14 **Q. IF THE COMMISSION DENIES PGE'S APPLICATION FOR DEFERRAL,**
15 **WILL PGE BE PRECLUDED FROM RECOVERING ANY COSTS**
16 **ASSOCIATED WITH THE REMEDIATION OF THE PORTLAND HARBOR,**
17 **HARBOR OIL, AND OAK GROVE SITES?**

18 A. No. The only costs at issue are the costs PGE incurs from March 2009 to
19 March 2010. While the Commission's decision in this docket may inform its
20 decision regarding a subsequent application to defer costs associated with
21 EPA's investigation of these sites, it does not control it. Further, costs PGE
22 incurs to actually remediate the Portland Harbor and Harbor Oil sites could be
23 significantly higher than the costs it incurs during the multi-year investigations.

1 If such costs are of a sufficient magnitude, they would satisfy the Commission's
2 criteria for deferral.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes.

CASE: UM 1373
WITNESS: Carla Owings

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

November 3, 2009

WITNESS QUALIFICATION STATEMENT

NAME: Carla M. Owings

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst/Revenue Requirement/Rates and Regulation

ADDRESS: 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2115.

EDUCATION: Professional Accounting Degree
Trend College of Business 1983

EXPERIENCE: I have been employed by the Public Utility Commission of Oregon since April of 2001. I am the Senior Utility Analyst for revenue requirement for the Rates and Regulation Division of the Utility Program. Current responsibilities include leading research and providing technical support on a wide range of policy issues for electric and gas utilities.

From September 1994 to April 2001, I worked for the Oregon Department of Revenue as a Senior Industrial/Utility Appraiser. I was responsible for the valuation of large industrial properties as well as utility companies throughout the State of Oregon.

I have testified in behalf of the Public Utility Commission in Docket Nos. UE 177, UE 178, UG 170, UG 171, UE 180, UM 1234, UE 167, UE 180, UE 188, UE 197, UE 177, UE 178, UM 1121, UM 1261 and UM 1271 and many other dockets.

OTHER EXPERIENCE: I received my certification from the National Association of State Boards of Accountancy in the Principles of Public Utilities Operations and Management in March of 1997. I have attended the Institute of Public Utilities sponsored by the National Association of Regulatory Utility Commissioners at Michigan State University in August of 2002 and the College of Business Administration and Economics at New Mexico State University's Center for Public Utilities in May of 2004.

In 2008, I attended the Energy Utility Consultants presentation on Performance Benchmarking in Denver, Colorado. In 2005, I attended the National Association of Regulatory Utility Commissioners Advanced Course at Michigan State University. I worked for seven years for the Oregon State Department of Revenue as a Senior Utility and Industrial Appraiser.

CASE: UM 1373
WITNESS: Carla Owings

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

**Exhibits in Support
Of Direct Testimony**

November 3, 2009

STAFF EXHIBIT 102

IS CONFIDENTIAL AND SUBJECT TO PROTECTIVE

ORDER NO. 08-240. YOU MUST HAVE SIGNED

APPENDIX B OF THE PROTECTIVE ORDER IN

DOCKET UM 1373 TO RECEIVE THE

CONFIDENTIAL VERSION

OF THIS EXHIBIT.

UM 1373
Service List (Parties)

CITIZENS' UTILITY BOARD OF OREGON OPUC DOCKETS	610 SW BROADWAY STE 308 PORTLAND OR 97205 dockets@oregoncub.org
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DAVISON VAN CLEVE JESSE E COWELL (C)	333 SW TAYLOR ST., SUITE 400 PORTLAND OR 97204 jec@dvclaw.com
DAVISON VAN CLEVE PC S BRADLEY VAN CLEVE (C)	333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com
DEPARTMENT OF JUSTICE STEPHANIE S ANDRUS (C) ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
OREGON PUBLIC UTILITY COMMISSION CARLA OWINGS (C) REVENUE REQUIREMENTS ANALYST	PO BOX 2148 SALEM OR 97308-2148 carla.m.owings@state.or.us
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RANDALL DAHLGREN (C) RATES & REGULATORY AFFAIRS	121 SW SALMON ST - 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com

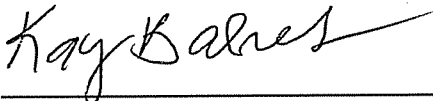
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PORTLAND GENERAL ELECTRIC COMPANY J RICHARD GEORGE (C) ASST GENERAL COUNSEL	121 SW SALMON ST 1WTC1301 PORTLAND OR 97204 richard.george@pgn.com

CERTIFICATE OF SERVICE

UM 1373

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 3rd day of November, 2009.



Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763