

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

UM 2385

**In the Matter of Portland General
Electric Company, Application of
Corporate Reorganization to Create a
Holding Company**

PORTLAND GENERAL ELECTRIC

**Testimony
Overview**

Sujata Pagedar, PGE

Jack Podlesnik, PGE

Jay Tinker, PGE

July 25, 2025

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OREGON

In the Matter of PORTLAND)
GENERAL ELECTRIC COMPANY,) DOCKET NO. UM2385
Applications for Approval of)
Corporate Reorganization to Create a)
Holding Company, Transfer Assets,)
and Update Affiliate Interest)
Agreement)

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Opening Testimony of Sujata Pagedar

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1 **Q What is the purpose of your testimony?**

2 A My testimony is offered in support of Portland General Electric’s application (the
3 “Application”) to the Oregon Public Utilities Commission (“Commission” or “OPUC”),
4 in which it requests approval of the following three items:

5 1) reorganizing into a holding company structure (“the Corporate Structure
6 Update”);

7 2) transferring (the “Property Transfer”) certain of Portland General Electric
8 transmission assets (the “Transmission Assets”) from Portland General Electric
9 to Portland General Transmission Company (“Portland General Transmission”);
10 and

11 3) modifying Portland General Electric’s Master Services Agreement (“MSA”)
12 and associated Cost Allocation Manual (“CAM”) to account for the Corporate
13 Structure Update and Property Transfer (“Affiliate Interest Update”) and the
14 services to be provided by Portland General Electric to Portland General
15 Transmission in the future.

16
17 The purpose of my testimony is to:

18 1) summarize the legal provisions governing OPUC’s review of the Application;

19 2) summarize the mechanics of the Corporate Structure Update, as contemplated
20 in the Merger Agreement attached as Exhibit I-1 to the Application;

21 3) summarize the Asset Transfer Agreement attached as Exhibit I-2 to the
22 Application;

- 1 4) provide an overview of the modifications to the MSA and CAM attached as
2 Exhibit M to the Application;
- 3 5) provide an overview of the benefits associated with the Application, including
4 new and tangible commitments the Company will agree to as part of
5 Commission approval of the Application, included as Schedule 1 to my
6 testimony; and
- 7 6) introduce the additional witnesses that will offer testimony in this proceeding.

8

9 **Q Please begin by summarizing your testimony.**

10 A Portland General Electric is a public utility pursuant to Oregon Revised Statute (“ORS”)
11 757.005, and a publicly-traded company organized under Oregon law. Through the
12 Corporate Structure Update, Portland General Electric proposes to update its corporate
13 structure and create a holding company that will contain the existing utility and a new
14 transmission company. Holding company corporate structures are common in the
15 industry and Portland General Electric is one of only a few utilities operating outside of
16 a holding company structure.

17

18 The holding company structure is far and away the most common structure for investor-
19 owned utilities, offering advantages to customers and benefits to established policies.
20 By pursuing the formation of a holding company structure, we are “catching up” to what
21 is common in the industry. This structure improves governance, enhances compliance,
22 maintains robust regulatory oversight and positions the utility for long-term
23 affordability and reliability.

1 Portland General Electric is pursuing this update to modernize its structure in a way that
2 strategically positions the Company to access transmission projects needed to support
3 reliability and the utilization of clean energy. When it comes to energy, electric
4 companies have a lot of work to do. The energy sector is undergoing unprecedented
5 change driven by load growth, decarbonization, and increasing climate events. Rising
6 demand for electricity requires new generation and transmission investments. At the
7 same time, we are transitioning to clean energy and hardening our infrastructure against
8 extreme weather. The Corporate Structure Update will help Portland General Electric
9 accomplish these goals, while working to keep customer prices as low as possible.

10
11 Portland General Electric will remain an Oregon-headquartered company, and it will
12 remain a regulated utility serving customers with safe and reliable power. The principal
13 benefit of this structure – and the reason we are pursuing it – is that it will make it easier
14 to access lower-cost capital, which will in turn help lead to a modern, reliable, clean
15 energy grid, while maintaining affordability for Portland General Electric’s retail
16 customers over the long term.

17
18 As set forth in the Application and testimony of Jack Podlesnik and Jay Tinker, the
19 reorganization will provide net benefits to Portland General Electric’s customers and
20 will not harm Oregonians.

1 **Q What Schedules are you supporting as part of your testimony?**

2 A As noted above, I am supporting one schedule, Schedule 1, detailing Portland General
3 Electric’s commitments as part of the Application.

4

5 **II. RELEVANT OREGON STATUTORY PROVISIONS**

6 **Q What statutory provisions apply to the Application?**

7 A Because there are three aspects of the Application (i.e., the Corporate Structure Update,
8 the Property Transfer, and the Affiliate Interest Update), there are three sets of statutory
9 provisions governing the Application.

10

11 **Corporate Structure Update**

12 The Corporate Structure Update portion of the Application is governed by ORS
13 757.511. This statute is triggered any time a person seeks to “acquire the power to
14 exercise any substantial influence over the policies and actions of a public utility” if
15 such person is, or by acquisition would become, an affiliated interest with the public
16 utility.¹ This statute applies to applications for the merger and acquisition of a public
17 utility and for corporate reorganizations to form holding company structures. The
18 applicant bears the burden to show that Commission approval of the application will
19 “serve the public utility’s customers and is in the public interest.”² This standard is
20 sometimes referred to as the “net benefits standard.”

¹ ORS 757.511(1) (“affiliated interest” for purposes of this statute is defined in ORS 757.015).

² ORS 757.511(4)(a).

1 **Property Transfer**

2 The Property Transfer portion of the Application is governed by ORS 757.480. This
3 statute is triggered for transfers of property valued at \$1 million or more that is utilized
4 by the utility in the provision of the utility’s duties to the public. Similar to the
5 Commission’s review of the Corporate Structure Update portion of the Application,
6 Oregon Administrative Rule (“OAR”) 860-027-0025(1)(l) requires the applicant to
7 show that the proposed transfer is “consistent with the public interest,” which the OPUC
8 has determined requires a demonstration of “no harm.”

9
10 **Affiliated Interest Update**

11 The Affiliated Interest Update portion of the application is governed by ORS 757.495.
12 This statute is triggered because we have amended the Master Services Agreement to
13 account for the Corporate Structure Update. Portland General Electric includes the new
14 MSA and associated CAM, respectfully asserting that, consistent with ORS 757.495(3),
15 the terms are “fair and reasonable and not contrary to the public interest.”

16
17 Portland General Electric acknowledges that the related administrative rule provisions
18 associated with ORS 757.480, ORS 757.495, and ORS 757.511, govern the OPUC’s
19 review of the Application.

1 **Q** **Please describe the Commission’s review of this Application, starting with the two-**
2 **step analysis used by the OPUC to determine the net benefits standard for the**
3 **Corporate Structure Update.**

4 **A** OPUC has historically applied a two-step analysis when assessing the net benefits
5 standard and analyzing whether a reorganization under ORS 757.511 comports with the
6 appropriate public interest standard. The two-step analysis includes: (1) a determination
7 that the corporate reorganization will provide a “net benefit” to the utility’s customers;
8 and (2) a finding that the corporate reorganization will not cause harm to Oregon citizens
9 as a whole (i.e., is in the public interest).³

10

11 The Commission has explained that it will measure the benefits by comparing the
12 transaction to the continued prudent and well-managed operation of the utility today.⁴

13 The Commission has also noted that the net benefit determination is not a rigid standard
14 based solely on economic considerations. Rather, the legislature gave the Commission
15 discretion in its assessment of whether a net benefit will result – such a decision is
16 flexible and depends on the facts and total set of concerns of each case.⁵

³ *In the Matter of Northwest Natural Gas Company, d/b/a NW Natural Application for Approval of Corporate Reorganization to Create a Holding Company*, Order No. 17-526; Docket No. UM 1804, at 12 (Dec. 28, 2017) (applying the “net benefit” standard in an energy utility acquisition) (“NW Natural Application Order”).

⁴ *In the Matter of MidAmerican Energy Holdings Company Application for Authorization to Acquire Pacific Power & Light*, Order No. UM 1209, Order No. 06-082 at 3 (Feb. 24, 2006) (Commission explained that the merger benefits would be compared against “the continued prudent and well-managed operation of PacifiCorp, [which] under Scottish Power, has maintained PacifiCorp’s system; provides good customer service; and ready access to capital at relatively favorable rates.”)

⁵ *In the Matter of a Legal Standard for Approval of Mergers*, Order No. 01-778; Docket No. UM 1011, at 11 (Sept. 4, 2001).

1 **Q Please describe the analysis used by the OPUC to determine whether the Property**
2 **Transfer is consistent with the public interest standard.**

3 A The OPUC has determined that such proposals must demonstrate “no harm,” which the
4 OPUC has determined is evaluated on a case-by-case basis reviewing the financial
5 impact on customers, evaluating risk, and considering alignment with state public policy
6 goals.⁶

7
8 **Q Please describe the analysis used by the OPUC to determine whether the Affiliate**
9 **Interest Update has fair and reasonable terms.**

10 A If the OPUC determines that the Corporate Structure Update and Property Transfer are
11 consistent with the public interest, then it should stand to reason that the associated
12 Affiliate Interest Update to effectuate this reorganization has fair and reasonable terms
13 that are not contrary to the public interest.

⁶ See *In re Application of Portland General Electric Co. for Approval to Sell Its 2.5 Percent Ownership Share of the Centralia Steam Electric Generating Plant to Avista Corp.*, Dockets UP 165 & UP 170, Order No. 00-152, at 4 (Mar. 16, 2000) (“Staff found that the Commission has interpreted the public interest standard not to generally require a positive public benefit but merely a showing that no public detriment will result. This determination is made on a case-by-case basis.”); *In the Matter of Avista Corp., dba Avista Utilities, Application for Approval of the Sale of the Klamath Falls Former Service Center Located in Klamath Falls*, Docket UP 257, Order No. 10-130, App’x A at 2 (Apr.6, 2010), Docket UP 168, Order No. 00-112, at 5-6 (Feb. 29, 2000) (determining that the no harm standard was met because the distribution of profits from the sale was properly spread between ratepayers and shareholders); *In The Matter of the Application of Portland General Electric Company in Regard to the Sale of Property*, Docket UP 158, Order No. 00-111, at 14-15 (Feb. 29, 2000); and *In the Matter of the Joint Application of U S West Communications Inc and Telephone Utilities of Eastern Oregon, Inc Dba PTI Communications, for an Order Authorizing it to Sell Certain Telephone Exchanges*, Docket UP 96, Order No. 95-0526, (May 31, 1995) (“In determining whether a sale and transfer of allocated territory meet the public interest standard set out above, the Commission looks at the impact of the transaction on the customers in the areas transferred, its effect on the other customers of the companies, and its consequences for the companies themselves and for the industry as a whole.”).

1 **Q How does Portland General Electric believe the OPUC should view these similar,**
2 **but different, burdens of proof in deciding whether to approve the Application as**
3 **a whole?**

4 A Portland General Electric believes the “net benefits” and “consistent with the public
5 interest” standards are complementary and are demonstrated through the Application
6 and the Company’s testimony. In short, Portland General Electric is pursuing approval
7 of the Application in order to position itself under a common industry structure to
8 facilitate cost-effective compliance with state energy policy objectives for the benefit of
9 our customers and Oregonians generally.

10

11

III. CORPORATE STRUCTURE UPDATE

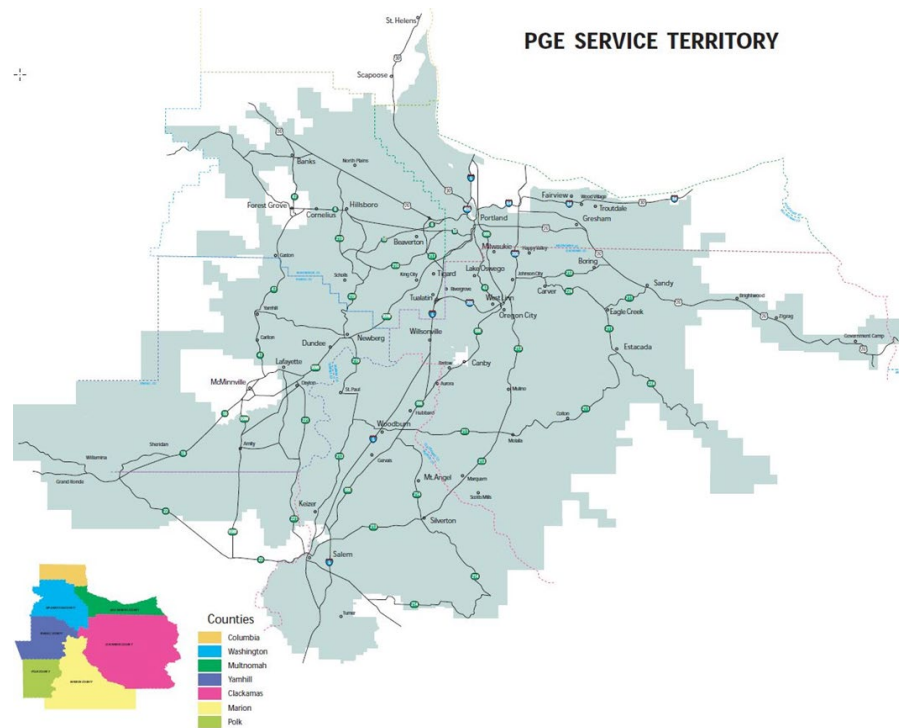
12 **Q Please provide an overview of the Company.**

13 A Portland General Electric is a public utility pursuant to ORS 757.005, serving
14 approximately 51 cities, 7 counties, and approximately 944,000 retail customers. Our
15 service territory includes a population of approximately 1.9 million people over 4,000
16 square miles. Portland General Electric operates a transmission system generally
17 consisting of networked 230 kV, 115 kV, and 57 kV lines and stations. This system is
18 interconnected with the PacifiCorp and Bonneville Power Administration (“BPA”)
19 transmission systems and is designed to accommodate multidirectional power flow to
20 deliver energy to multiple points on the system and within the region. PGE owns a
21 portion of the Colstrip 500 kV transmission system in Montana. PGE is also a joint
22 owner of the Northwest AC Intertie 500 kV system, which facilitates energy transfers
23 between Oregon and California, including 500 kV lines from BPA’s Grizzly substation

1 to BPA’s Malin substation and PGE’s Round Butte substation. In August 2023 we
2 served our maximum peak load of 4,498 MW.

3
4 Portland General Electric is a participant in the Western Energy Imbalance Market
5 (“WEIM”), which enables near real-time sharing of low cost and renewable generation
6 across a broad footprint in the West and Northwest using dynamic transfers.
7 Additionally, PGE intends to join the Extended Day Ahead Market (“EDAM”), which
8 will extend day-ahead capabilities and expand access to a full complement of wholesale
9 energy market services. Figure 1 is the map of the Company’s service area.⁷

10 **Figure 1: Portland General Electric’s Service Area**

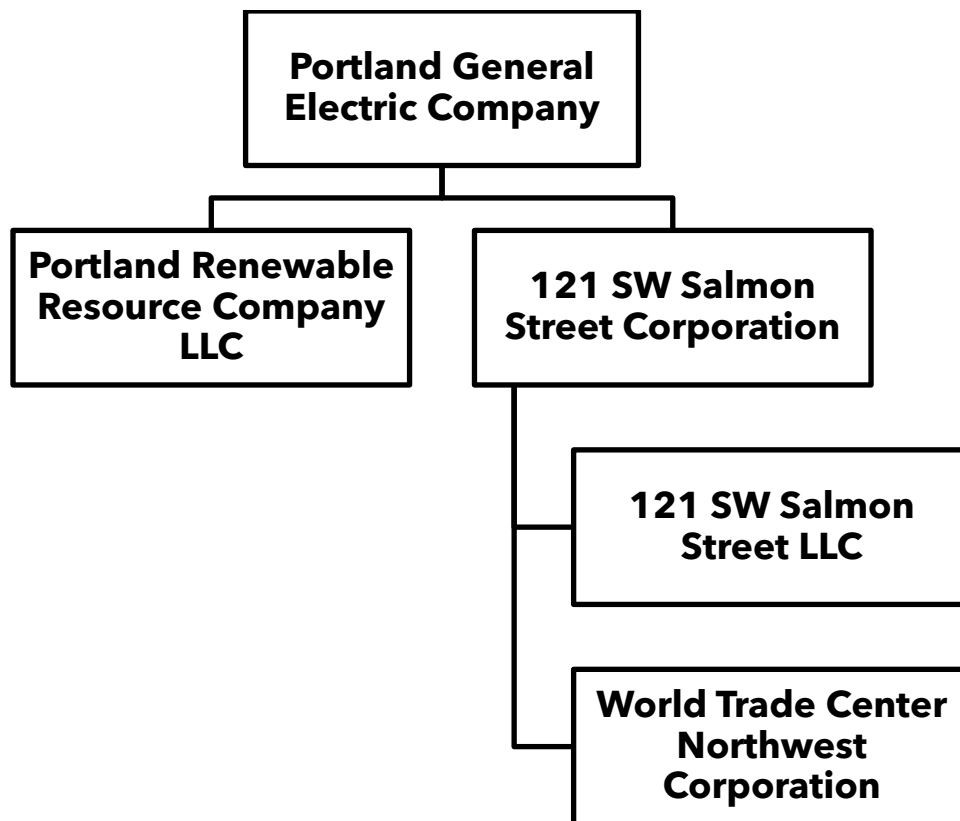


⁷ PGE’s service territory map is accessible here: <https://portlandgeneral.com/about/info/service-area>.

1 Q How is the Company currently structured?

2 A Currently, Portland General Electric is a publicly held corporation organized under
3 Oregon law, within which the utility operates. Portland General Electric holds wholly-
4 owned subsidiaries, all of which are non-utility subsidiaries. Portland General Electric
5 conducts the utility business, while the non-utility subsidiaries conduct other business.
6 Portland General Electric's current corporate structure is illustrated in the following
7 figure:

8 **Figure 2: Existing Company Structure**



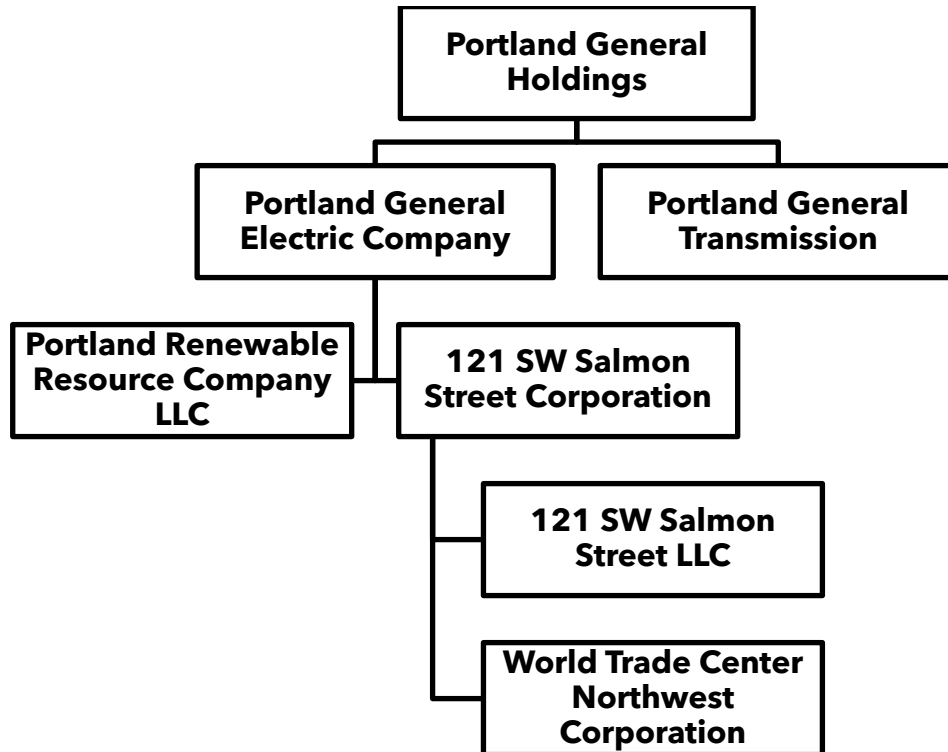
9

10 Q Please describe the proposed Corporate Structure Update.

11 A Portland General Electric is filing to update its corporate structure to a holding company
12 structure, the most common model for investor-owned utilities, which will better

1 position the Company to successfully navigate the dynamic energy landscape, while
2 addressing our customers' needs and state energy policy mandates in the most cost-
3 effective manner. The intended structure will be a holding company as a parent
4 company, with the Portland General Electric utility and transmission companies as
5 "sibling" affiliated subsidiaries. Portland General Electric seeks to establish a holding
6 company, Portland General Holdings Company ("Portland General Holdings"), that will
7 hold the interests in 1) the existing utility, and 2) a new transmission company, Portland
8 General Transmission. Portland General Electric will continue its longstanding
9 dedication to provide exceptional service to its retail customers at just and reasonable
10 rates. Portland General Transmission will focus solely on the development,
11 maintenance, and operation of transmission infrastructure, allowing for more
12 investment in this critical area. The following figure shows the structure contemplated
13 in the requested Corporate Structure Update:

Figure 3: Future Corporate Structure



1 Q Please explain the process by which the Corporate Structure Update will be
2 accomplished.

3 A The Corporate Structure Update will be effectuated by a sequence of five procedural
4 steps, which are described below and documented in the Merger Agreement attached as
5 Schedule 1 to my testimony.

6 **1. Creation of Holding Company entity:** A new holding company, Portland General
7 Holdings, will be formed as a wholly owned subsidiary of Portland General Electric.
8 Portland General Holdings will then create its own wholly owned subsidiary
9 (“Merger Sub”).

10 **2. Merger:** In this step, Portland General Electric will merge with and into Merger
11 Sub, with Portland General Electric being the surviving company entity. As part of
12 the process, each share of Portland General Electric stock will be canceled and

1 exchanged for one share of the holding company stock. Upon completion of the
2 merger, Portland General Electric and its affiliates will be wholly owned
3 subsidiaries of Portland General Holdings, and current shareholders of Portland
4 General Electric will become shareholders of the holding company with the same
5 number of shares in Portland General Holdings as they previously directly held in
6 Portland General Electric.

7 **3. Entity Conversion to LLC:** To be most tax efficient, after the merger, Portland
8 General Electric will convert from a corporation to a limited liability company
9 (LLC).

10 **4. Transfer of Transmission Assets:** Portland General Holdings will form Portland
11 General Transmission as a wholly owned subsidiary. Portland General Electric will
12 transfer the Transmission Assets to Portland General Transmission in exchange for
13 shares of Portland General Transmission.⁸

14 **5. Distribution and Final Conversion:** Portland General Electric will distribute the
15 Portland General Transmission stock to Portland General Holdings, its sole
16 shareholder. After this Portland General Electric will convert back from an LLC to
17 a corporation.

18
19 **Q Are there plans to recapitalize Portland General transmission following the**
20 **transfer of assets and equity?**

21 **A** Yes. Portland General Transmission plans to maintain a target capital structure of 50%
22 debt and 50% equity. Shortly after the steps above are completed, Portland General

⁸ The Property Transfer and listing of assets to be transferred are further explained in the testimony of Jack Podlesnik.

1 Transmission would issue debt; the proceeds of which would be used to pay off debt at
2 Portland General Electric.

3

4 **Q How will the Corporate Structure Update affect the current shareholder base?**

5 A Following the Corporate Structure Update, Portland General Holdings will be owned
6 by public shareholders, and will hold the stock of the operating company subsidiaries,
7 including Portland General Electric and Portland General Transmission. All subsequent
8 operations will be at the subsidiary level. Portland General Electric will continue to
9 operate as a regulated utility under the OPUC's jurisdiction. The Corporate Structure
10 Update will not impact the rights or preferences of shares held in Portland General
11 Electric, and the intent is that each shareholder of Portland General Electric will have
12 their shares replaced one-for-one. Therefore, the shareholder ownership base will
13 remain unchanged following the Corporate Structure Update, and Portland General
14 Holdings will be the new publicly traded entity.

15

16 In the future, Portland General Holdings may seek new investors or one or more joint
17 owners of Portland General Transmission to facilitate direct investment into the
18 development of transmission assets needed to support local and regional growth and
19 achieve the state's energy goals.

1 the name and address of the utility's principal business office; (b) records regarding
2 incorporation and states in which it is authorized to do business; (c) the name and
3 address of the person on behalf of applicant authorized to receive notices and
4 communications in respect to the applications; (d) names, titles, and addresses of the
5 principal officers; (e) utility business description of the general character of the business
6 done and to be done, including territories served; (f) relevant share information; (g)
7 relevant balance sheet statements; (h) whether the application is for disposition of
8 facilities by sale, lease, or otherwise, and a description of the consideration, if any, and
9 the method of arriving at the amount of consideration; (i) a general description of
10 facilities to be sold, giving a description of their present use and of their proposed use
11 after disposition, consolidation, merger, or acquisition; (j) a statement by primary
12 account of the cost of the facilities and applicable depreciation reserve involved in the
13 sale, lease, or other disposition; (k) a statement as to whether or not any application with
14 respect to the transaction or any part thereof, is required to be filed with any federal or
15 other state regulatory body; (l) the facts relied upon by applicants to show that the
16 proposed sale will be consistent with the public interest; (m) the reasons, in detail, relied
17 upon by the applicant for entering into the proposed sale and the benefits, if any, to be
18 derived by the customers of the applicant and the public; (n) the amount of stock, bonds,
19 or other securities, now owned, held or controlled by applicant, of the utility from which
20 stock or bonds are proposed to be acquired; and (o) a brief statement of franchises held,
21 showing date of expiration if not perpetual, or, in case of transfer, that transferee has the
22 necessary franchises.

1 Portland General Electric has complied with the requirements of OAR 860-027-0025(1)
2 by submitting the above information as part of the body of the Application. In addition,
3 and attached as a schedule to the Application, are the exhibits A through L referenced
4 in OAR 860-027-0025(2), which further supplement the information required for a
5 property transfer under ORS 757.480.

6
7 **Q Please explain how Portland General Electric intends to transfer its transmission**
8 **assets to Portland General Transmission.**

9 A Once the Application is approved by the OPUC, the related filings are submitted to and
10 approved by FERC, and the merger is consummated, Portland General Transmission
11 will be formally incorporated under Oregon law. After formation, Portland General
12 Electric, Portland General Holdings, and Portland General Transmission will enter into
13 an asset transfer agreement in the form attached as Schedule 2 to my testimony (“Asset
14 Transfer Agreement”).

15
16 **Q Please summarize the proposed terms of the Asset Transfer Agreement.**

17 A The proposed process and consideration for the transfer of the Transmission Assets is
18 as follows: Following the formation of Portland General Holdings and the merger of
19 Portland General Electric with the merger subsidiary, Portland General Electric will
20 form Portland General Transmission. Portland General Electric will transfer
21 transmission assets to Portland General Transmission, in exchange for Portland General
22 Transmission shares. Portland General Electric will then distribute the Portland

1 General Transmission Company shares to Portland General Holdings. The transfer will
2 result in a net transaction that will have no detrimental impact to customers.

3
4 **Q Are the Asset Transfer Agreement and associated list of Transmission Assets**
5 **subject to modification?**

6 A Yes. The Asset Transfer Agreement and other information included in the Application
7 are subject to satisfaction of all conditions precedent, including receipt of all required
8 regulatory approvals. Similarly, the Transmission Assets set forth in Exhibits L-1, L-
9 2, and L-3 to the Application will be finalized as part of the OPUC's approval of the
10 Corporate Structure Update. The Company requests approval to transfer ownership of
11 the Transmission Assets subject to the Asset Transfer Agreement based on the
12 principles described here. We do not anticipate any material changes to the terms and
13 conditions of the Asset Transfer Agreement and we would agree to file copies of the
14 definitive executed agreement upon OPUC approval.

15
16 **Q Does the Asset Transfer Agreement Require Changes to the Master Services**
17 **Agreement?**

18 A Yes. We have revised the MSA to account for the new affiliate, Portland General
19 Transmission, and the applicable provisions of Oregon law regarding affiliate interests
20 are discussed in the subsequent section. The new MSA, along with an updated CAM,
21 is attached as Exhibit M to the Application.

1 **Q Will the Property Transfer impact customers or the regulatory oversight of the**
2 **Commission?**

3 A Our operational planning is ongoing to ensure that the Property Transfer will not result
4 in any negative impacts for retail customers. The Commission's exercise of regulation
5 over Portland General Electric's retail operations is discussed in detail in the testimony
6 of Jay Tinker.

7

8 **V. AFFILIATED INTEREST UPDATE**

9 **Q Will the Corporate Structure Update and Property Transfer, if approved, affect**
10 **Portland General Electric's day-to-day operations?**

11 A No. The Corporate Structure Update will not have a direct impact on Portland General
12 Electric's day-to-day operations. Portland General Electric will continue to own and
13 operate all of its non-transmission utility assets and property. And Portland General
14 Electric will continue providing affordable and reliable service to its retail customers.
15 The construct in which that service is provided, however, will be modified via the
16 services provided to new affiliates.

17

18 **Q What services will Portland General Electric provide to Portland General**
19 **Holdings and Portland General Transmission?**

20 A Portland General Electric will provide the services described in the updated MSA and
21 associated CAM. Notably, these services are services our employees currently perform
22 on behalf of Portland General Electric. As a publicly traded company, Portland General
23 Electric already has various reporting requirements (e.g., those required by the
24 Securities and Exchange Commission). If the Corporate Structure Update is approved,

1 Portland General Electric employees will be providing services to Portland General
2 Holdings and Portland General Transmission to meet these requirements as opposed to
3 performing them for Portland General Electric. Similarly, Portland General Electric
4 has historically operated the transmission assets. Here again, that service will continue,
5 but on behalf of Portland General Transmission. The general scope of these services,
6 and the allocation of costs associated with those services (except for FERC-
7 jurisdictional services) are summarized in the MSA and CAM attached as Exhibit M to
8 the Application. Portland General Electric is seeking an OPUC determination that the
9 MSA and CAM are fair, reasonable, and not contrary to the public interest.

10
11 **Q What services will Portland General Transmission provide to Portland General**
12 **Electric?**

13 **A** Apart from any services that Portland General Transmission might provide under the
14 MSA, Portland General Transmission will provide tariffed transmission service to
15 Portland General Electric via its FERC-approved OATT.

16
17 **Q What affiliate interest information is Portland General Electric including in its**
18 **Application?**

19 **A** Because the services that will be provided under the MSA and CAM are dependent, in
20 part, on the Asset Transfer Agreement (which will be a transaction between affiliates),
21 Portland General Electric includes the relevant information under OAR 860-027-0040
22 and OAR 860-027-0041, which is documented in the compliance matrix attached to the
23 Application.

1 **VI. THE APPLICATION RESULTS IN NET BENEFITS**

2 **Q Please summarize the benefits of the Application.**

3 **A Overall, the benefit of the Application is a strategic repositioning of operations that is**
4 designed to increase access to capital, which should streamline financing efforts and
5 lower costs of financing for investments necessary to meet state policies, thereby
6 benefiting ratepayers.

7
8 The new corporate structure is designed to help reduce the cost of necessary investments
9 in new infrastructure, and to help Oregon achieve its climate goals while meeting rising
10 demand for electricity while working to keep customer prices as low as possible. The
11 Company’s goal is for the new structure to lower financing costs by enabling the
12 Company to attract additional capital at favorable terms to increase the pace of
13 investments required by decarbonization, increasing demand and regional transmission
14 constraints. These efforts will help grow jobs through economic development, maintain
15 reliable electricity service, and improve electricity transmission infrastructure and
16 resilience.

17
18 The holding company model, a well-recognized and utilized model in the industry, will
19 support Portland General Electric’s objectives in this Application to find lower cost
20 ways of investing in necessary transmission infrastructure. The holding company
21 structure also offers financial stability and risk management. By isolating the electric
22 utility’s operations within a subsidiary, the holding company can better manage
23 potential liabilities, allowing the utility to invest in upgrades and innovation without
24 undue financial risk, potentially leading to improved service and lower costs for

1 customers in the long run. Furthermore, the holding company structure provides the
2 ability to address regional transmission constraints faster and accelerate scaling the
3 work necessary to achieve what customers and communities expect, all while
4 maintaining our commitment to safe, reliable and affordable power.

5
6 **Q What benefits will the formation of Portland General Holdings create for Portland**
7 **General Electric customers?**

8 A The holding company structure is the most common structure for investor-owned
9 utilities, offering advantages to customers and benefits to established policies. This
10 structure improves governance, enhances compliance, maintains robust regulatory
11 oversight and positions the utility for long-term affordability and reliability. The
12 creation of the holding company structure will also enable us to form a transmission
13 company to operate alongside Portland General Electric, which, as discussed below and
14 the testimony of Jack Podlesnik, we see as a crucial step to secure the transmission
15 infrastructure Portland General Electric and the region need to serve customers.

16
17 **Q What benefits will the formation of Portland General Transmission create for**
18 **Portland General Electric customers?**

19 A There are numerous benefits that will arise from the formation of the transmission
20 company. I will discuss each in turn below, but they are summarized as follows:

- 21 1. The formation of Portland General Transmission will facilitate greater access to
22 wholesale power market opportunities.

- 1 2. Portland General Transmission is best-suited to meet future regional
2 infrastructure needs.
- 3 3. Portland General Transmission should be able to meet future infrastructure costs
4 more efficiently than the status quo organizational structure.
- 5 4. As a result of the relief sought in the Application, Portland General Electric's
6 financing costs should be lower.

7

8 **Q Please explain why Portland General Transmission's formation is beneficial for**
9 **access to the wholesale market.**

10 A One of the major benefits of establishing Portland General Transmission will be
11 expanded transmission access to reach different wholesale power market opportunities.
12 Portland General Electric purchases a portion of its electric capacity and energy
13 requirements from third parties under purchased power agreements. Portland General
14 Electric is subject to the Commission's integrated resource planning and bidding
15 processes, and we select our supply resources among bids submitted by third parties.
16 Portland General Electric depends on open access transmission services on the regional
17 grid to serve its retail load. Retail electric customers can be harmed when wholesale
18 power supply options are limited and there is insufficient or inefficient investment in
19 transmission to support expanded market access. These factors can lead to consumers
20 being deprived of the ability to access low-cost power when it is available and hence,
21 subject to higher total retail electric expense. Although transmission costs may well be
22 higher in the future than historically, the Company believes they will be lower through
23 the proposed Corporate Structure Update than they otherwise would be.

1 A more effective access to wholesale power supply markets can benefit retail customers
2 by providing them, or their distribution utilities like Portland General Electric, with
3 greater access to lower-cost electricity supplies. Portland General Transmission will
4 promote such access to the diversified wholesale power markets by developing the
5 needed physical infrastructure. This access and development should promote
6 competitive wholesale supply market benefits, which will likely drive down power costs
7 for consumers.

8
9 **Q Please explain why Portland General Transmission is best-suited to meet future**
10 **regional infrastructure needs.**

11 A Another benefit is that the Commission and customers can trust Portland General
12 Transmission, a wholly-owned subsidiary of Portland General Holdings, headquartered
13 in Portland, Oregon. Portland General Transmission knows the needs of the regional
14 transmission system and it can focus on filling those needs as efficiently and cost
15 effectively as possible. Portland General Transmission's sole business purpose will be
16 the efficient ownership, operation, planning, and construction and maintenance of
17 electric transmission facilities and the provision of transmission services on an open and
18 non-discriminatory basis. While Portland General Transmission will primarily be
19 accountable for seeing that a project is funded and actually occurs, Portland General
20 Electric, as a customer of Portland General Transmission, will endeavor to ensure any
21 project by which its customers could be served will maximize customer benefits.
22 Portland General Electric will continue to file IRPs and CEPs and will be responsible
23 for selecting supply side and demand side resources needed to meet growing retail

1 customer needs for electric energy in Oregon. Portland General Electric will be a key,
2 significant customer of Portland General Transmission, and Portland General Electric
3 will work to ensure that it obtains access to all of the transmission planning and cost
4 documentation the Commission requires to continue its effective regulation of retail
5 rates and services pursuant to Oregon law.

6
7 **Q Please explain why the specialization of Portland General Transmission should**
8 **lead to lower transmission costs than the status quo would allow.**

9 **A** Because the formation of the transmission company will attract new investors, Portland
10 General Transmission should be able to accelerate the development of the regional
11 transmission infrastructure that is required to meet existing and future statutory
12 obligations and load service needs, which will lead to benefits if infrastructure costs can
13 be financed by customers in the region beyond existing Portland General Electric
14 customers. As Portland General Transmission serves new and additional customers, the
15 benefits of consolidating electrical control operations will provide ongoing
16 opportunities for savings in terms of transmission operations and energy supply
17 procurement through reduced transmission congestion, reduced transmission
18 curtailments, and thus reduced out of merit order resource redispatch.

19
20 In most cases involving complex regional transmission concerns, there are multiple and
21 multifaceted solutions to solving the reliability concerns or relieving the transmission
22 capacity constraints. As discussed in the testimony of Jack Podlesnik, Portland
23 General Electric is actively deploying Grid-Enhancing Technologies (“GETs”) to

1 optimize the performance of its existing transmission infrastructure before investing in
2 new assets. To help ensure future transmission investment is pursued in the most
3 efficient manner, Portland General Transmission will adhere to an “asset management”
4 business model that focuses management attention on getting the most out of existing
5 assets and investing prudently in the grid. Finally, Portland General Transmission will
6 facilitate open access to the transmission system in a manner consistent with good utility
7 practice and reliability requirements of FERC, the North American Electric Reliability
8 Corporation, and the Western Electricity Coordinating Council. Mr. Podlesnik provides
9 more detailed testimony regarding these topics and the benefits of Portland General
10 Transmission.

11
12 **Q Please explain why the formation of Portland General Transmission will reduce**
13 **Portland General Electric’s financing requirements.**

14 **A** Finally, we believe that the formation of Portland General Transmission will enhance
15 our ability to attract capital on reasonable terms, thereby facilitating more cost-effective
16 construction of new transmission projects necessary to meet statutory and load service
17 obligations. Under our proposal, Portland General Transmission will have the
18 obligation to construct new transmission facilities, which will allow Portland General
19 Electric to focus on meeting the capital needs. The establishment of a separate company
20 to own and develop transmission is an important part of obtaining the capital needed to
21 finance these investments. The Company’s objective is to seek investors with a similar
22 commitment to the region, reliability and affordability. Investors in a public company,
23 such as the Company currently or Holdco in the future, have a different risk profile than

1 investors in non-public entities with a single type of asset. The establishment of
2 Portland General Transmission is, in the Company's view, one of the best ways to obtain
3 the type of stable investment needed.
4

5 **Q Why is the Company proposing the Corporate Structure Update now?**

6 A In assessing the benefits of the reorganization, we believe the Commission should
7 consider whether the proposal is consistent with the Company's underlying obligations
8 to provide safe, reliable and affordable electric service to our Oregon customers at
9 reasonable rates. We acknowledge the evolving nature of the electric industry and the
10 challenges we face, and maintaining the same structure and operations may not result in
11 the most reliable and affordable electric service in the future. We believe the
12 reorganization contemplated in the Application is a better path than the status quo for
13 enabling us to continue to serve Oregonians safely, reliably and affordably.
14

15 The Corporate Structure Update is the next evolutionary step in the industry and is an
16 appropriate response to the changes that continue to occur. There is a significant need
17 for transmission investment in the Pacific Northwest. Portland General Transmission's
18 formation is critical to manage risk and engage new investors to meet this need, thereby
19 ensuring the most cost-effective development for Portland General Electric's
20 ratepayers.

1 **Q Has the Company evaluated alternatives to the Corporate Structure Update?**

2 A Yes. As mentioned, the Company believes that this proposal is better than the status
3 quo because it positions the Company to be able to meet the needs of our customers and
4 plan for the future. The Company evaluated a number of different structures and
5 changes, including the option of joining a Regional Transmission Organization, but
6 ultimately determined the proposed approach was the best option because it will
7 enhance the Company's ability to access capital and attract future investors at lower
8 costs than other options. The structure allows the Portland General Electric to continue
9 to provide utility services, and develop transmission at a lower cost than other options,
10 and with the know-how of what existing customers and the region needs. The Corporate
11 Structure Update also maintains optionality for participation in regional markets as they
12 continue to develop.

13

14 **Q How will the creation of Portland General Transmission enable the diversification
15 of investors?**

16 A Portland General Holdings will continue to attract a debt and equity investor base
17 similar to Portland General Electric's current holders – bond and equity-holders seeking
18 investment in long-term assets in exchange for consistent, stable and utility sector
19 competitive returns.

20

21 A transmission company like Portland General Transmission will attract investors
22 focused exclusively on infrastructure assets, beyond just utility investment through the
23 traditional public debt and equity or private placement debt markets. Investments from

1 these funds can be challenging under Portland General Electric’s current structure due
2 to size and transactional structure limitations.

3 In the past, transmission companies have pursued transactions with pension, insurance,
4 sovereign wealth and private equity funds that are attracted to long-term investments
5 that limit volatility and match returns with fund liability obligations. Many of these
6 transactions have come at meaningful premiums due to the demand for quality assets
7 with these characteristics. But recent transactions have enabled utilities to finance
8 broader system investment to address decarbonization and customer growth. Portland
9 General Electric is aiming to create the transmission company to be able to seek broad
10 and diverse investors to affordably and efficiently finance the transmission
11 infrastructure buildout for our customers in a manner that is consistent with Oregonian’s
12 interests. Because new transmission infrastructure and investments are critical to 1)
13 meet new and rising demand for electricity, 2) transition to clean energy and 3) protect
14 our communities from extreme weather, we are proposing to establish a transmission
15 company as part of this Corporate Structure Update.

16

17 **Q Please elaborate on the need for regional transmission infrastructure investments**
18 **and the state’s recognition of that need.**

19 A The need for significant regional infrastructure development is well documented, which
20 is further discussed in the testimony of Mr. Podlesnik. As stated in the August 2024
21 through July 2034 Northwest Regional Forecast of Power Loads and Resources, the
22 Pacific Northwest Utilities Conference Committee (“PNUCC”) recognized that

1 “[e]xpanding the capacity of the transmission system will be critical for reliably serving
2 the growing load and delivering more power from where it is produced to where it is
3 needed” and that “[t]he region needs a power and transmission system that is bigger
4 than the weather because the region’s customers demand a system that is both adequate
5 and reliable.”⁹ In light of these challenges, the Oregon legislature recently took action
6 in its recent passage of legislation to streamline transmission permitting processes to
7 facilitate a timely response to the need for regional infrastructure development.

8
9 **Q What happens if the Company does not pursue the restructuring contemplated in**
10 **the Application?**

11 A The efforts of Portland General Electric to meet the need for the development of
12 transmission infrastructure may come at a higher cost and take longer to finance and
13 develop. Furthermore, without additional transmission investments, the regional
14 transmission system will continue to be congested, increasingly costly to use and
15 maintain, and could jeopardize decarbonization efforts. Without Portland General
16 Transmission’s investments, other companies may or may not step in to invest in
17 regional transmission development. More importantly, it is possible that those
18 companies would not prioritize Oregonians, and it is unlikely that any such outside
19 investors would include any commitments to the OPUC or Portland General Electric
20 ratepayers. Portland General Electric’s ratepayers, and Oregonians generally, will

⁹ *Northwest Regional Forecast of Power Loads and Resources: August 2024 through July 2034*, PNUCC, May 2024, at 13, <https://www.pnucc.org/wp-content/uploads/2024-PNUCC-Northwest-Regional-Forecast-final.pdf>.

1 benefit from the experience, relationships, benefits, and commitments that come with a
2 homegrown utility.

3

4 **Q Is Portland General Electric offering any commitments to ensure the Corporate**
5 **Structure Update results in net benefits to Oregonians?**

6 A Yes. We have reviewed and considered a variety of ring-fencing and other ratepayer-
7 centric provisions intended to protect utility customers from any risks associated with
8 these changes. A full list of our commitments can be found in Schedule 1 to this
9 testimony.

10

11 **Q How will the Corporate Structure Update affect Portland General Electric's**
12 **employees?**

13 A As noted above, there will be minimal changes in our day-to-day operations and the
14 services our employees perform will largely remain the same. There will also be no
15 changes to any of Portland General Electric's collective bargaining agreements, which
16 the Company commits to honor.

17

18 **Q Will any executives or shareholders receive compensation or benefit directly from**
19 **the Corporate Structure Update?**

20 A No. Portland General Electric executives or other shareholders will not benefit directly
21 from the Corporate Structure Update. Furthermore, Portland General Electric
22 ratepayers will not be responsible for any incremental direct compensation paid to

1 executives or others within the Company upon execution of the relief sought in the
2 Application.

3

4 **Q What is the Company's timeline for executing the Corporate Structure Update?**

5 A The Company plans to hold the shareholder vote as soon as possible after receiving all
6 regulatory approvals. Having the new structure in place in 2026 is critical for the ability
7 to attract investors.

8

9 **Q Will the proposed reorganization affect current retail rates?**

10 A No. The Company is not proposing any change in retail electric rates or tariffs in this
11 proceeding.

12

13 **Q Will the relief sought in the Application affect the OPUC's retail regulatory
14 authority?**

15 A No. Portland General Electric will continue to be subject to the Commission's
16 regulatory jurisdiction over its retail rates, accounting and other general matters of the
17 Company's operations, just as it is today. To be sure, the regulatory authority over
18 Portland General Electric operations touching Oregon retail customers and
19 communities will remain with the OPUC. Jay Tinker provides an overview of the
20 OPUC's retail rate setting for transmission costs that remain within its purview.

21

22 FERC will continue to establish the rates the transmission company can charge for
23 service to transmission customers (including Portland General Electric as a customer).

1 The OPUC's review of such costs will occur in Portland General Electric's annual AUT
2 proceeding pursuant to Portland General Electric rate schedule 125. While the way
3 Portland General Electric will incur transmission costs may change, the OPUC retains
4 authority to determine the prudence of costs incurred by PGE for transmission service
5 used to serve retail customers.

6
7 Furthermore, the proposed reorganization will not impact the Commission's
8 jurisdiction to issue certificates of need for large energy facilities, including
9 transmission access options available to Portland General Electric. Oregon retains
10 siting and routing authority for new transmission projects, including those that will be
11 proposed by Portland General Transmission. And Portland General Electric is
12 committed to working with the Commission and other stakeholders to ensure adequate
13 transmission access to serve our customers through existing processes such as through
14 review of its Integrated Resource Plan and Clean Energy Plan.

15
16 **Q Are there tax implications associated with the Corporate Structure Update and**
17 **Transfer of Assets?**

18 **A** No. We have worked to ensure that there will be no tax implications from the
19 restructuring and transfer of assets. We are working with the Internal Revenue
20 Service and we will seek a Private Letter Ruling confirming that the restructure and
21 transfer of assets resulted in no tax consequences.

1 **Q Has Portland General Electric conferred with Commission Staff and stakeholders**
2 **regarding this Application for Corporate Structure Update?**

3 A Yes. Pre-filing outreach has occurred and enabled feedback to be considered within our
4 Application and testimonies. In addition to ongoing discussions with our stakeholders
5 in Oregon, we have met with FERC staff to provide a high-level summary of the
6 Application. We have done our best to incorporate all feedback from our stakeholders
7 and regulators. We welcome all opportunities to engage further with Commission Staff
8 and stakeholders on this process so we can respond to suggestions and align
9 expectations for the Company’s future performance.

10

11 **VII. INTRODUCTION OF OTHER WITNESSES**

12 **Q Are other witnesses testifying in this proceeding on behalf of the Company?**

13 A Yes.

14

15 **Q Please introduce those witnesses and the topics they will cover.**

16 A In addition to my testimony, the other witnesses in this proceeding are Jack Podlesnik
17 and Jay Tinker. Mr. Podlesnik is a Senior Director, Grid Strategy, Transmission and
18 Planning at Portland General Electric. His testimony provides an overview of Portland
19 General Transmission Company, including its operations and the assets it will manage,
20 and why that management is consistent with the public interest. Mr. Tinker is the
21 Director of Regulation for Portland General Electric. His testimony explains the current
22 and revised rate setting process for transmission service that, from a rate paid
23 perspective, will be essentially equivalent for ratepayers.

24

1 Q Does this conclude your testimony?

2 A Yes.

SCHEDULE 1: LIST OF COMMITMENTS

1. Governance

- Within 90 days of the applicable board of directors meeting, Portland General Electric Company (“Portland General Electric”) shall file with the Oregon Public Utilities Commission (“OPUC”) a complete copy of the minutes of the board of directors’ meeting at which the formation of Portland General Holdings Company (“Holdings”) and Portland General Transmission Company (“Portland General Transmission”) was approved.

2. Future Transactions

- Portland General Electric will notify the OPUC in writing subsequent to Holding’s board approval and as soon as practicable following any public announcement of: (1) any acquisition of any business that represents five percent or more of Holdings’ capitalization, or (2) change in effective control or acquisition of any material part of Holdings or Portland General Electric, as required by ORS 757.511.
- Portland General Electric will refrain from seeking recovery through Portland General Electric rates any acquisition premiums, goodwill, transaction costs, or incremental executive bonuses associated with the Application or any subsequent M&As by Holdings or any affiliates other than Portland General Electric.
- Holdings and Portland General Electric will not acquire or create any new subsidiary that is outside of the core business of an electric utility.
- Within 90 days after Holdings acquires or creates a new subsidiary entity, Portland General Electric shall file with the OPUC a statement that provides the name of the subsidiary, the total value of its assets, the subsidiary’s business and whether it will do business with Portland General Electric
- Any diversified holdings and investments (i.e., non-Portland General Electric businesses or foreign utilities) of Holdings following approval of the transaction will not be held by Portland General Electric or a subsidiary of Portland General Electric, with the exception of Portland General Electric sponsored employee benefit plans or employee compensation plans. This commitment will not prohibit Holdings or its affiliates other than Portland General Electric from holding diversified businesses. This provision will also not prohibit Portland General Electric from continuing to hold the assets it holds within Portland General Electric immediately prior to the reorganization.

3. Safety and Service Quality Measures

- Holdings and Portland General Electric agree that Portland General Electric will maintain safety standards and policies substantially comparable to or better than Portland General Electric’s currently maintained standards and policies. Neither Holdings’ formation nor future acquisitions may diminish delivery of safe and

reliable Portland General Electric retail service in Oregon. Portland General Electric will continue to fully comply with CFR Title 49 Parts 190 to 199.

4. Financial – Capital Structure

- Holdings and Portland General Electric agree to enter into an agreement that incorporates the ring-fencing provisions set forth herein. This agreement will be binding on Portland General Electric and Holdings. This agreement will be filed with the OPUC within 90 days of the transaction’s closing. Portland General Electric and Holdings commit that they will comply with OPUC-approved ring-fencing conditions and will make no amendments, revisions, or modifications to this agreement or any ring-fencing provisions without prior OPUC approval.
- Holdings, Portland General Electric, and Portland General Transmission will maintain separate corporate credit ratings. Portland General Electric will make ratings available to the OPUC upon request.
- Portland General Electric agrees to the following:
 - Maintain adequate interest coverage;
 - Maintain adequate pool of qualified assets to maintain the ability to issue First Mortgage Bonds;
 - Provide notice to and, if requested, consult with OPUC staff in the event that S&P or Moody’s downgrades secured credit rating for any reason; and
 - If Portland General Electric’s LT secured debt rating drops to BBB+ for S&P or Baa1 for Moody’s Portland General Electric will file a plan with the OPUC detailing a range of options to maintain or restore Portland General Electric’s LT secured credit rating, or to explain actions consistent with Portland General Electric’s customers’ best interest. Upon OPUC request, Portland General Electric will present this plan to the OPUC, with appropriate provisions in place to protect confidential information.
- Portland General Electric common equity must be maintained at a level no less than 40 percent of total Portland General Electric capital structure determined on a preceding or projected thirteen-month average. Should Portland General Electric’s equity component of its capital structure fall below 40 percent in violation of this commitment, Portland General Electric shall:
 - Within 5 business days: (A) notify the OPUC; and (B) provide an explanation for why Portland General Electric Common Equity fell below 40 percent, for example, how the drop was caused by forces or events beyond Holdings and/or Portland General Electric’s control.
 - Within 30 days of providing notice, Portland General Electric shall provide a plan and timeline (“Compliance Plan”) for restoring Portland General Electric’s Common Equity to 40 percent or above that is subject to OPUC review, modification, rejection, or approval.

- Subsequent to the filing of the Compliance Plan, Portland General Electric shall file progress reports every 90 calendar days detailing its efforts to restore its equity component to 40 percent or above, as described above, in addition to detailing how Portland General Electric has met each requirement in the Compliance Plan.
- Portland General Electric agrees to make its officers available to appear before the OPUC regarding the violation and/or the Compliance Plan.
- If Holdings and Portland General Electric find it reasonably likely that Portland General Electric common equity could fall below 40 percent in the preceding or projected thirteen-month average, Portland General Electric shall provide a report to OPUC staff with its projections indicating that common equity could fall below 40 percent, and take the steps listed above
- If Portland General Electric's common equity component of its capital structure is at or below 42 percent, on a preceding or projected thirteen-month average, and the above steps have not been triggered, Portland General Electric will provide quarterly projections of the common equity component of its capital structure to OPUC staff, along with supporting workpapers
- Holdings and Portland General Electric guarantee that Customers of Portland General Electric will be held harmless from any adverse rate impacts caused by Portland General Electric's retail rate of return, common equity, and long-term debt becoming more costly after the restructuring than they would have had Portland General Electric not reorganized. For three years following the reorganization, Portland General Electric bears the burden of showing that any increase in Portland General Electric's Cost of long-term debt or cost of common equity (to the extent common equity affects customers), for which rate recovery is sought did not result from factors associated with either the reorganization or any subsequent Holdings' mergers & acquisitions.
- For three years following reorganization, Holdings and Portland General Electric guarantee that Portland General Electric customers shall be held harmless if the reorganization causes a higher revenue requirement for Portland General Electric than if the reorganization had not occurred.
- Consistent with ORS 757.048(1)(a), Holdings and Portland General Electric commit that neither will, without OPUC approval:
 - Make loans or transfer funds (other than dividends and payments pursuant to the master service agreement ("MSA")) to Holdings or affiliates other than Portland General Electric's subsidiaries;
 - Assume any obligation or liability as guarantor, endorser, surety, or otherwise for Holdings or affiliates other than Portland General Electric's subsidiaries;
 - Transfer any of Portland General Electric assets or property currently subject to property transfer regulations to Holdings or affiliates other than Portland General Electric's subsidiaries;
 - Seek to pledge Portland General Electric assets or securities backing for any hedging, indebtedness, or securities of Holdings or Portland General Electric's subsidiaries;

- Enter into cross-default provisions involving entities other than Portland General Electric's subsidiaries; and
- Participate in a money pool with Holdings or affiliates other than Portland General Electric subsidiaries.

5. Financial – Dividends

- No dividends or like payments or distribution (special, one-time, or otherwise) may be drawn from Portland General Electric, without OPUC approval, if any of the following conditions are present:
 - Portland General Electric common equity would fall below 40 percent of Portland General Electric capital structure determined on a preceding or projected thirteen-month average; or Portland General Electric's long-term secured credit ratings drops below BBB- for S&P and Baa3 for Moody's.
- Portland General Electric must notify the OPUC no less than 7 calendar days before dividending or otherwise transferring 5 percent or more of its retained earnings.
- Additionally, Portland General Electric will notify the OPUC of:
 - Its intention to transfer more than 10 percent of its retained earnings out of Portland General Electric over a six-month period; and
 - Its intention to declare a special cash dividend (defined as a one-time dividend that is paid in addition to Portland General Electric's established or expected quarterly dividend), at least 30 days before declaring the dividend.

6. Bankruptcy Ring-Fencing/Protections

- OPUC approval of Portland General Electric's proposed restructuring is conditioned on the following:
 - Within 60 days of the OPUC's order approving Portland General Electric's application in this matter ("Application"), Portland General Electric will provide a non-consolidation opinion to the OPUC which concludes that the ring-fencing provisions (final conditions adopted by the OPUC) are sufficient such that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of Portland General Electric (including direct subsidiaries) with those of Holdings, its affiliates or subsidiaries (excluding Portland General Electric's direct subsidiaries)
- If the conditions listed herein are insufficient to obtain a non-consolidation opinion, Portland General Electric will undertake the following actions:
 - Promptly notify the OPUC of its inability to obtain a non-consolidation opinion;
 - Propose and implement, upon consultation with the parties to this Stipulation and subject to OPUC approval, such actions or additional ring-fencing provisions that are sufficient to obtain such a non-consolidation opinion; and
 - Obtain such a non-consolidation opinion and provide it to the OPUC.

- If after these actions, Portland General Electric is unable to obtain the non-consolidation Opinion, Portland General Electric will notify the OPUC and the OPUC will indicate that Portland General Electric's application has been denied given that OPUC approval of the Holding Company is contingent upon Portland General Electric obtaining and providing the non-consolidation opinion to the OPUC
- A voluntary petition for bankruptcy by Portland General Electric would require:
 - The unanimous vote of the Portland General Electric board of directors BOD, inclusive of the vote of at least one independent director; and
 - The vote of the holder of a "Golden Share," which is defined as the sole (\$1 Par) share of Preferred Stock of Portland General Electric authorized by the OPUC. This share of Preferred Stock must be in the custody of an independent third party. In matters of bankruptcy, this share will override all other outstanding shares of all types or classes of stock Portland General Electric and any affiliate.
- Portland General Electric's subsidiaries will not hold Holdings investments, with the exception of Portland General Electric sponsored employee benefit plans or employee compensation plans, without prior OPUC approval.

7. Access to Information

- Holdings and Portland General Electric shall provide the OPUC access to:
 - All books of account, budgets, documents, data, records, accounting, and financial information which pertain to transactions between Portland General Electric on the one hand, and Holdings or Holdings' affiliates on the other, to which Portland General Electric and Holdings have access and are reasonably calculated to lead to information relating to Portland General Electric or may directly or indirectly affect Portland General Electric.
 - Unrestricted access to the written information inclusive of accounting and financial metrics that Holdings provides to the Rating Agencies and that is reasonably calculated to lead to information relating to Portland General Electric or may directly or indirectly affect Portland General Electric.
- Holdings and Portland General Electric shall provide the OPUC with complete and unrestricted access to all information provided by and to common stock, bond, or credit rating analysts, which directly or indirectly pertains to Portland General Electric. Such information includes, but is not limited to, opinions, reports and presentations made to or provided by common stock analysts and bond rating analysts, to the extent Portland General Electric is not limited by subscription or otherwise prohibited by third parties from sharing.
- Holdings, Portland General Electric, and affiliates will make their employees, officers, directors and agents available to testify before the OPUC at the OPUC's request to provide information relevant to matters within the OPUC's jurisdiction.
- Pursuant to OAR 860-027-0175(2), Portland General Electric and Holdings agree to report all beneficial ownership as of the last calendar day of each year to the OPUC to be received by March 31 of each year.

- For the first five calendar years after the Application is approved, as part of its affiliated interest filings, Holdings and Portland General Electric will report on how the company complied with each of the commitments listed herein no later than June 15 of each year. This report will require an officer attestation of compliance with the commitments. If any of the commitments are not being met, the report shall include proposed corrective measures relative to the specific commitment, subject to OPUC revision and appropriate remedy as determined by the OPUC.
- Annual affiliated interest reports will contain a complete parental-view corporate organizational chart and a second listing of contact telephone number, email, and titles for Holdings, and Portland General Electric corporate officers.
- Annual affiliated interest reports must itemize all Holdings mergers & acquisition and divestiture activity including identification of all assets transferred between Portland General Electric and affiliates below the threshold requiring OPUC approval. Holdings or Portland General Electric will also notify the OPUC within 30 days whenever Holdings completes a merger, acquisition, or divestiture with capitalization in excess of \$1 million.
- Holdings and Portland General Electric agree that in the event that a dispute arises concerning access to records and information in commitments regarding access to information, an administrative law judge (ALJ) at the OPUC shall determine what records and information are discoverable. By agreeing to this commitment, Portland General Electric does not waive its right to refer a ruling by the ALJ to the OPUC or to appeal a decision by the OPUC.

8. Accounting

- Portland General Electric will maintain its books and records (inclusive of audit trails with supporting records) separate from Holdings' books and records with such accounting information and financial books and records kept at Portland General Electric headquarters in Oregon. Portland General Electric's financial books and records and state and federal regulatory filings and documents will continue to be available to the OPUC, upon request, at Portland General Electric's headquarters in Oregon.
- Portland General Electric assets, cash flows, and financial accounts may not be commingled with existing affiliates, or with any new affiliates or operations resulting after the creation of Holdings.
- Organizational, start-up, or other costs associated with the creation of Holdings or Portland General Transmission will be separately tracked and will not be allocated to Portland General Electric customers post-creation of Holdings and Portland General Transmission, any remaining formation costs or other Holdings-related costs will not appear on Portland General Electric books, or the books of Portland General Electric's subsidiaries. Portland General Electric shall furnish the OPUC with journal entries and supporting detail showing the nature and cost of all organizational, start-up, and other costs for Holdings (including but not limited to management time, board of director time, in-house and outside counsel time, any

consultants engaged, etc.) since January 1, 2025, as well as the accounts charged, within 120 days of a OPUC order in this docket.

- Portland General Electric will exclude from Portland General Electric general rate cases, or any other method of cost recovery, all costs related to reorganization and all of Holdings' costs related to future business endeavors and mergers & acquisitions including but not limited to: all legal work from in-house counsel and outside counsel; Portland General Electric board of director time; costs related to mergers & acquisitions consulting and advice; preparation of and materials for Holdings-related presentations; and other reorganization and expansion costs.

9. Accounting Commitments Specifically Intended to Prevent Cross Subsidization:

- Holdings and Portland General Electric will comply with all applicable OPUC statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports.
- Portland General Electric will file on an annual basis an affiliated interest report including an organizational chart, narrative description of each affiliate, revenue for each affiliate, and transactions with each affiliate.
- Portland General Electric will not cross-subsidize between Portland General Electric and any other businesses (with the exception of Portland General Electric and its direct subsidiaries as approved by the OPUC), and shall comply with the OPUC's applicable orders and rules with respect to such matters.
- Subject to any cost allocation methodology subsequently approved by the OPUC or other regulatory authority, any allocation of costs, corporate and affiliate investments, expenses, or overheads between Portland General Electric and Holdings or an affiliate will comply with OAR 860-027-0048 and the following principles:
 - Cost allocations to Portland General Electric will be directly charged whenever possible, and shared or indirect costs will be allocated based upon primary, demonstrable, and cost-driving factors.
 - Holdings and all subsidiaries and affiliates will maintain accounting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to or from Portland General Electric.
 - All costs subject to allocation will be auditable and their origin among the companies must be demonstrable, so as to be specifically identified, tracked, and trended. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
 - Any corporate cost allocation methodology used for jurisdictional rate setting, and subsequent changes thereto, will be submitted to the OPUC for approval.
 - The MSA is submitted as part of the Application for approval. Thereafter, the MSA will be appended to the annual June affiliated interest report filed with the OPUC. This annual filing will capture, highlight and explain all changes from the prior year. The entirety of the MSA and its jurisdictional

components are subject to review by OPUC staff in subsequent proceedings before the OPUC to confirm that cost drivers, accounting methods, assumptions, and practices result in fair, just and reasonable Portland General Electric rates. The Company will update, and re-file for approval, the MSA and AI Reporting reflecting Holdings organizational detail and the outcome of the Application.

- Costs which would have been denied recovery in retail rates had they been incurred by Portland General Electric will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries of Holdings.
- Portland General Electric will continue to file timely applications and reports in compliance with ORS 757.015 through 757.495 and OAR 860-027-0040 through 860-027-0042.

10. Cost Allocations

- The OPUC may request an audit of the accounting records of Holdings and affiliates to the extent that they are the basis for jurisdictional charges to Portland General Electric, to verify the costs and the allocation factors used by the Holdings or its subdivisions to assign costs to Portland General Electric and amounts subject to allocation or direct charges. Holdings and affiliates will cooperate fully with such OPUC audits.
- Holdings and Portland General Electric will maintain robust systems to track employee, officer, director, agent, and attorney time (inclusive of loading percentages), identifying to within an hour, time not spent for Portland General Electric purposes that shall not be allocated to Portland General Electric, subject to the agreed upon cost-allocation principles.
- Portland General Electric bears the burden of showing that a particular expense from Holdings or an affiliate of Holdings may be allocated to and recovered from Portland General Electric ratepayers.

11. Labor Commitments

- Holdings and Portland General Electric will honor existing collective bargaining agreements.

12. Reporting and Enforcement

- Portland General Electric agrees that these commitments, may be modified as a result of regulatory decisions or settlements regarding Portland General Electric's proposed corporate restructuring. In the event that the OPUC adopts commitments from other jurisdictions, the OPUC will re-open and re-issue the order approving this Stipulation to add those commitments accepted or ordered in another jurisdiction.

13. Miscellaneous

- Nothing in these commitments will be interpreted as a waiver of rights to request confidential treatment for information that is the subject of any of these commitments.
- If the OPUC, Staff, or any party believes that Portland General Electric or Holdings have violated any of the commitments listed herein, or any conditions included in the OPUC's final order approving the application, the OPUC shall give Holdings and Portland General Electric written notice of the alleged violation. If Holdings or Portland General Electric is found to have committed a violation after OPUC investigation (or a hearing if requested), the OPUC will issue an order stating the remedy it shall seek.
- Portland General Electric shall maintain its current pension funding approach, until informed by an OPUC Order regarding revised best practices. Thereafter, Portland General Electric will look to OPUC orders for further guidance.

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OREGON

In the Matter of PORTLAND)	
GENERAL ELECTRIC COMPANY,)	DOCKET NO. UM 2385
Applications for Approval of)	
Corporate Reorganization to Create a)	
Holding Company, Transfer Assets,)	
and Update Affiliate Interest)	
Agreement)	

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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OREGON

In the Matter of PORTLAND)	
GENERAL ELECTRIC)	
COMPANY, Applications for)	DOCKET NO. UM 2385
Approval of Corporate)	
Reorganization to Create a Holding)	
Company, Transfer Assets, and)	
Update Affiliate Interest Agreement)	

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I. INTRODUCTION AND SUMMARY

Q Please state your name, business address, and position at Portland General Electric Company.

A My name is Jack Podlesnik. My business address is 121 SW Salmon St., Portland, OR 97205. My position is Senior Director, Grid Strategy, Transmission and Planning at Portland General Electric Company (“Portland General Electric,” or the “Company”).

Q Please summarize your educational background and business experience.

A I received a Bachelor of Science degree in Electrical Engineering from the University of Wyoming in 2002 and a Masters in Business Administration with an Innovation and Technology Option from Portland State University – School of Business in 2008. I am a registered professional engineer in the state of Oregon since 2011. I joined the Company in 2019 as the Director, Transmission and Distribution Programs, Design and Construction and have held a variety of management roles overseeing Project Management, Operations Support, Construction Management, Integration Program

1 Management, and Transmission Delivery. My current title is Senior Director, Grid
2 Strategy, Transmission and Planning. In my current role I am responsible for
3 transmission and distribution system planning, regional transmission initiatives, capital
4 budgeting and oversight of transmission projects, distributed device strategy, and
5 economic business development. Prior to joining the Company, I worked at PacifiCorp
6 for nearly sixteen years, last serving as Vice President, System Operations. I serve on
7 the Board of Directors for the Western Energy Institute and am a transmission section
8 council member for the Electric Power Research Institute.

9
10 **Q What is the purpose of your testimony?**

11 A The purpose of my testimony is to provide an overview of the Company's plans to create
12 a transmission company, Portland General Transmission Company ("Portland General
13 Transmission"), including its operations and the assets it will manage. Through the
14 testimony below, I will explain how the relief in the Application furthers the Oregon
15 legislature's direction to enhance efficient and cost-effective investment in the
16 transmission system to help meet the state's clean energy targets while maintaining
17 reliability.

18
19 **Q What schedules are you sponsoring as part of your testimony?**

20 A I am not sponsoring any exhibits but will be offering testimony on Exhibits L-1, L-2,
21 and L-3 attached to the Application in this matter.

1 **II. OVERVIEW OF, AND NEED FOR, THE TRANSMISSION COMPANY**

2 **Q As part of the Corporate Structure Update, Portland General Electric is proposing**
3 **to form a transmission company. Please explain.**

4 A As further described in the testimony of Sujata Pagedar, Portland General Electric files
5 the application (“Application”) and supporting testimony requesting approval of three
6 items: (1) a corporate reorganization that will result in a holding company structure in
7 which the Company will be a wholly-owned subsidiary (of “Portland General Holdings
8 Company,” or “Holdings”) and have an affiliate that is a transmission company
9 (Portland General Transmission) (the reorganization, “Corporate Structure Update”),
10 (2) the transfer (the “Property Transfer”) of certain of the Company’s transmission
11 assets (the “Transmission Assets”) from Portland General Electric to Portland General
12 Transmission, and (3) the update of the Company’s master services agreement (“MSA”)
13 and associated cost allocation manual (“CAM”) to account for the Corporate Structure
14 Update and Property Transfer (“Affiliate Interest Update”).

15
16 **Q Please explain Portland General Electric’s physical transmission assets and its**
17 **current approach to load service.**

18 A Portland General Electric operates a transmission system generally consisting of
19 networked 230 kV, 115 kV, and 57 kV lines and stations. This system is interconnected
20 with the PacifiCorp and Bonneville Power Administration (“BPA”) transmission
21 systems and is designed to accommodate multidirectional power flow to deliver energy
22 to multiple points on the system and within the region. Portland General Electric owns
23 a portion of the Colstrip 500 kV transmission system in Montana. Portland General

1 Electric is also a joint owner of the Northwest AC Intertie 500 kV system, which
2 facilitates energy transfers between Oregon and California, including 500 kV lines from
3 BPA's Grizzly substation to BPA's Malin substation and PGE's Round Butte
4 substation.

5
6 Portland General Electric's transmission system serves roughly half of Oregon's
7 population and powers approximately two-thirds of Oregon's commercial and industrial
8 activity. The Portland General Electric service area is a compact area located primarily
9 in Oregon's Willamette Valley and most of Portland General Electric's existing, owned
10 transmission assets are within the Portland General Electric service area.

11
12 Portland General Electric's transmission customers include PGEM (the merchant
13 function of Portland General Electric, "PGEM"), Oregon-defined Electricity Service
14 Supplier ("ESS") customers, BPA, and other transmission customers who utilize
15 Portland General Electric's transmission system to transmit power across the region.
16 PGEM is responsible for purchasing transmission rights—on Portland General
17 Electric's transmission facilities and those of other regional providers—to deliver power
18 to Portland General Electric's service area to meet Portland General Electric's load
19 obligations. PGEM holds extensive rights on Portland General Electric's transmission
20 system, as well as on the transmission system of BPA, the largest transmission provider
21 in the Pacific Northwest.

1 Portland General Electric's transmission system is highly integrated with other
2 transmission systems in the west due to the networked nature of the regional
3 transmission system. Portland General Electric owns and operates its transmission
4 system and Balancing Authority Area to integrate and deliver energy to retail customers
5 while also providing transmission service to other wholesale transmission customers as
6 required by Federal Energy Regulatory Commission ("FERC") and in accordance with
7 Portland General Electric's Open Access Transmission Tariff ("OATT"). Portland
8 General Electric is obligated to plan, build, and operate the transmission system in a
9 manner that reliably delivers power to serve customer load and the needs of Portland
10 General Electric's OATT transmission customers.

11
12 Portland General Electric-owned and contracted-for generating resources used to serve
13 load are both directly connected to Portland General Electric's transmission system and
14 remote to Portland General Electric's system. PGEM's transmission portfolio –
15 comprised of rights held on Portland General Electric-owned transmission assets and
16 transmission rights on other transmission provider's systems – is designed to ensure
17 reliable delivery of electricity from this broad array of generation resources to serve
18 electricity demand.

19
20 **Q What are some of the challenges facing Portland General Electric's transmission**
21 **system and approach to load service?**

22 **A** The regional transmission system is under increasing pressure as more geographically
23 diverse variable energy resources come online, thermal plants are displaced or retired,

1 customer demand climbs, and investment by others in the transmission system is
2 limited.

3
4 Variable non-emitting energy resources that generate electricity will need to be added
5 to meet growing load and decarbonize towards the targets of Oregon's clean energy law
6 passed in 2021. Increasingly, these resources are expected to be developed from more
7 distant geographic areas, with their delivery to Portland General Electric's system
8 requiring expanded transmission infrastructure and growing interconnectedness in the
9 West.

10
11 The development of transmission infrastructure requires lengthy planning. Rights-of-
12 way acquisition, permitting, material procurement, and construction timelines often take
13 more than a decade and carry significant risk.

14
15 To address these challenges, Portland General Electric is requesting that the OPUC
16 approve its Application. It cannot rely solely on its wholesale transmission customers'
17 short-term load-and-resource forecasts to plan future transmission investments and must
18 take steps now, by requesting the relief in the Application, in order to plan its
19 transmission system on a longer time horizon. Additionally, the costs associated with
20 the development of infrastructure require a flexible approach to raise capital to build the
21 necessary infrastructure.

1 **Q Please further explain Portland General Electric’s interconnection to the BPA**
2 **transmission system, and the constraints on BPA’s system.**

3 A BPA is a federal power marketing administration that operates approximately 75 percent
4 of the transmission in the Pacific Northwest, consisting of more than 15,000 miles of
5 high-voltage transmission lines. BPA operates transmission in Idaho, Oregon,
6 Washington, western Montana, California, Nevada, Utah and Wyoming. Portland
7 General Electric’s largest transmission interface is with the BPA transmission system.
8 Portland General Electric has long relied on BPA transmission to deliver energy from
9 throughout the west to serve the electricity demand of customers of Portland General
10 Electric. Portland General Electric currently holds over 4,000 MW of long-term, firm
11 transmission under contract with BPA.

12
13 As discussed in our most recent Clean Energy Plan (“CEP”) and Integrated Resource
14 Plan (“IRP”) update, BPA’s system is effectively fully subscribed, and incremental
15 transmission requests are unlikely to be granted until early to mid-2030, pending
16 significant upgrades.¹ Additionally, BPA has recently paused its transmission study and
17 expansion process while it attempts to develop reforms to its transmission service
18 request process.

¹ *In the Matter of Portland General Electric Company, 2023 Integrated Resource Plan and Clean Energy Plan, Docket No. LC 80, 2023 Clean Energy Plan and Integrated Resource Plan Update at 68-69 (Jun. 18, 2025) (“Portland General Electric 2023 CEP/IRP Update”).*

1 **Q How do the constraints on BPA’s transmission system affect PGE’s transmission**
2 **planning?**

3 A The constraints on the BPA system necessitate longer-term planning and problem-
4 solving to ensure Portland General Electric has sufficient transmission capacity to serve
5 its demand. As such, the future transmission planning and procurement activity
6 included in Portland General Electric’s IRP is a way to explore potential transmission
7 expansion and diversification of options, which is essential as the energy associated
8 with serving load must become more decarbonized. It is important to recognize that the
9 identification and development of transmission solutions are long-lead-time activities
10 that often take longer than the action plan time horizon of the IRP. Given this dynamic,
11 it is necessary to engage in transmission planning and development on a forward-
12 looking, longer-term basis.

13
14 **Q Why is Portland General Electric pursuing the formation of a transmission**
15 **company now?**

16 A As I have mentioned, Portland General Electric’s load serving capability is coming
17 under pressure from multiple angles, including increased demand on the electric system
18 and decarbonization goals, as well as significant constraints on the transmission systems
19 typically relied upon to deliver remote resources. Although Portland General Electric
20 has been able to ensure reliable delivery of electricity from generation resources to load
21 to date, going forward, additional transmission rights, across a broad geographic
22 footprint, will be required for Portland General Electric to access more diverse
23 resources, decarbonize, and maintain resource adequacy. The regional transmission

1 system used to serve Portland General Electric customers is highly constrained, with
2 limited existing transmission available for future resources, particularly on BPA's
3 system which supports no or limited resource additions prior to further transmission
4 upgrades.

5
6 The Company's overall business strategy is to cost-effectively manage major challenges
7 in the dynamic energy space to maintain grid reliability during load growth and support
8 decarbonization. Electricity demand in the Pacific Northwest is growing at its fastest
9 pace in decades, with energy demand expected to increase by thirty percent over the
10 next ten years.² The existing transmission system must be enhanced to meet this
11 additional load as the existing transmission system is at capacity. New transmission
12 development can take well over a decade to plan, permit, and construct. As of 2023,
13 the U.S. Department of Energy estimated that the Pacific Northwest will need at least
14 56 percent more transmission capacity (roughly 8.5 terawatt miles) to meet load growth
15 in the coming decades.³

16
17 Additionally, extreme weather events are driving the region to experience new all-time
18 system peak loading events, which are forecasted to continue to get more severe.
19 Portland General Electric must innovate its approach to access transmission capacity in
20 such a way to stay ahead of these changing dynamics and obligations.

² *Demand for Electricity in the Pacific Northwest Could Grow by Over 30% in Next Decade*, 2024 Update to the Pacific Northwest Utilities Conference Committee (May 1, 2024), available here:

https://www.nwcouncil.org/fs/18720/2024_05_3.pdf

³ *'Appropriate and Required': BPA and Building the Grid the Northwest Needs*, Whitepaper authored by NIPPC and Renewable Northwest, at 8, n. 7 (May 2023), available here:

<https://renewablenw.org/sites/default/files/Reports-Fact%20Sheets/BPA%20Tx%20Whitepaper%2005.03.2023.pdf>

1 As updated in its recent IRP and CEP filing, Portland General Electric’s preferred
2 portfolio includes seven transmission projects added to the portfolio between 2032 and
3 2038, unlocking access to the energy and capacity of 6,927 MW off-system
4 renewables.⁴ The addition of all 6,927 MW of transmission options illustrates the
5 importance of evaluating transmission opportunities, both through upgrades and
6 expansions of existing transmission systems, and new transmission infrastructure
7 projects, to access off-system renewables and energy markets. This aspect of the
8 preferred portfolio differs substantially from the 2023 CEP/IRP preferred portfolio,
9 which included only 1,200 MW of available transmission options and instead relied
10 heavily on generic capacity and renewable resources post-2030. The comprehensive and
11 detailed list of most-appropriate transmission options potentially available to Portland
12 General Electric, modeled in our most recent CEP/IRP Update, provides a more well-
13 defined look at the mix of resources that may become available to meet energy and
14 capacity needs in the 2030s and beyond. In contrast to the proxy transmission options
15 used in the 2023 CEP/IRP, the transmission options within our current preferred
16 portfolio are more representative of specific transmission expansion options to add the
17 necessary capacity. The formation of Portland General Transmission will support the
18 necessary development of critical transmission infrastructure to reliably serve the needs
19 of Portland General Electric customers consistent with FERC Open Access regulations.

⁴ Portland General Electric 2023 CEP/IRP Update at 138-39.

1 **Q How is Portland General Electric ensuring that it is maximizing the use of existing**
2 **infrastructure before pursuing new transmission investments?**

3 A Portland General Electric is committed to delivering reliable, affordable, and clean
4 energy to our customers while being responsible stewards of ratepayer dollars. In
5 alignment with this commitment—and consistent with the intent of Oregon House Bill
6 3336 (“HB 3336”)—we are actively deploying Grid-Enhancing Technologies (GETs)
7 to optimize the performance of our existing transmission infrastructure before investing
8 in new assets.

9
10 HB 3336, signed into law by Governor Tina Kotek, directs utilities to prioritize GETs
11 as a means to improve the efficiency and capacity of existing transmission lines, thereby
12 reducing the need for costly new construction. PGE fully supports this policy direction
13 and has already taken concrete steps to implement it.

14
15 In 2025, Portland General Electric began deploying Dynamic Line Rating (“DLR”)
16 sensors from Heimdall Power on two of our 230 kV transmission lines (Carver–
17 McLoughlin #1 and #2). These sensors provide real-time data on conductor conditions,
18 allowing us to safely increase line capacity during favorable weather conditions.
19 Integration with our Grid Control Center’s Energy Management System is underway,
20 and we expect to complete the expansion study in Q3 2025. This technology enables us
21 to optimize existing transmission system capacity and flexibility during favorable
22 conditions, directly supporting the goals of HB 3336.

1 In addition to DLR, Portland General Electric is evaluating and piloting heat-dissipating
2 conductor coatings, which can increase ampacity by 13–15 percent and we are preparing
3 for our first reconductor project using this technology in 2026. We are also continuing
4 to deploy Advanced Conductors (High-Temperature Low-Sag), including Aluminum
5 Conductor Steel Supported and composite core technologies, which allow for higher
6 operating temperatures and increased capacity on existing corridors.

7
8 These investments reflect Portland General Electric’s commitment to a balanced and
9 cost-effective approach that maximizes the value of existing infrastructure, while
10 thoughtfully considering where new construction may be necessary to meet long-term
11 system needs. Our participation in the Electric Power Research Institute-led Grid-
12 Enhancing Technologies for a Smart Energy Transition initiative further underscores
13 our commitment to innovation and collaboration in this space.

14
15 As we pursue these upgrades, we recognize the importance of working collaboratively
16 with existing landowners who host transmission infrastructure. Permitting and access to
17 existing rights-of-way can be a significant barrier to timely upgrades. Fortunately, both
18 the new Federal administration and the State of Oregon are taking steps to streamline
19 permitting processes and reduce administrative burdens. These efforts are critical to
20 enabling faster deployment of GETs and reconductoring projects, and we are actively
21 engaging with policymakers and regulators to ensure that these reforms translate into
22 real-world improvements.

1 In parallel, Portland General Electric is investing in distributed energy resources
2 (“DERs”)—including battery storage, demand response, and virtual power plants—to
3 enhance grid flexibility. These resources are integrated into our grid operations and
4 planning processes, allowing us to respond dynamically to system needs and improve
5 reliability without overbuilding the grid.

6
7 By leveraging GETs and DERs, Portland General Electric is delivering on the legislative
8 intent of HB 3336—enhancing grid performance, reducing costs to customers, and
9 accelerating the transition to a clean energy future. These technologies are not only more
10 affordable than traditional transmission expansion, but they also offer faster deployment
11 timelines and reduced environmental impacts. Portland General Transmission will
12 operate under the same philosophy to maximize technology to deliver on legislative
13 intent for customers.

14
15 **Q Please explain how the necessary infrastructure would be built to meet the above-**
16 **noted challenges to Portland General Electric.**

17 **A** Portland General Electric proposes that Portland General Transmission support the
18 buildout of needed transmission infrastructure to meet the state’s significant energy
19 needs and enable resilient Oregon communities. The lack of transmission access
20 threatens our state’s economic development in rural and urban areas, erodes our ability
21 to deliver critical services to Oregon’s most vulnerable populations, and, absent new
22 investment to address aging infrastructure, exacerbates the electric system’s
23 vulnerability to extreme weather. Portland General Electric believes the formation of

1 Portland General Transmission is the right step to begin this important work to
2 modernize and update the electric infrastructure.

3
4 Portland General Electric already owns and operates part of the northwest electric
5 transmission system. Because we do this every day, creating Portland General
6 Transmission is a natural extension of Portland General Electric's current capabilities
7 and expertise and will allow us to continue to meet the growing needs of our
8 communities. We are well-positioned to deliver the necessary transmission capacity
9 access for Oregon. The Corporate Structure Update will help cost-effectively finance
10 large, new transmission projects, necessary for meeting our customers' energy needs.

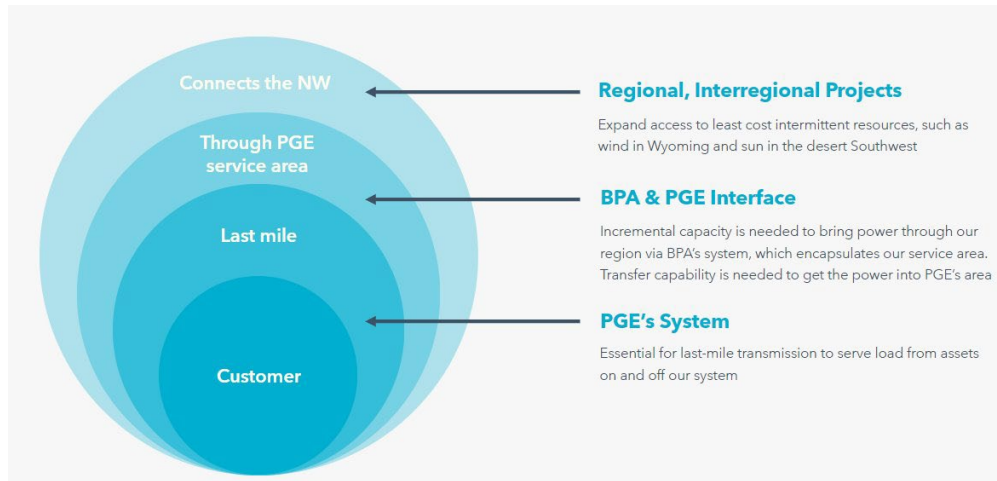
11
12 **Q How would the Portland General Transmission System interact and integrate with**
13 **the remaining Portland General Electric distribution system and wider regional**
14 **grid?**

15 **A** Portland General Electric views the transmission system in a series of concentric circles
16 and new transmission investment will be required in all circles as demonstrated in
17 Figure 1 below, including Portland General Electric's current system, the BPA and
18 Portland General Electric interface, and regionally, like separate links in a chain.

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Figure 1:

Concentric Circles of Portland General Electric's Transmission System



III. FORMATION OF THE TRANSMISSION COMPANY

Q How will the transmission company be formed?

A As further described in the testimony of Sujata Pagedar, Portland General Transmission will be formed as a limited liability company and a wholly-owned, transmission-owning subsidiary of Portland General Holdings, to which the Transmission Assets will be transferred under the Asset Transfer Agreement that is part of the overall Application. Once formed and operational and all necessary regulatory approvals are received, Portland General Transmission will be responsible for control area operations, transmission planning, state regulatory compliance regarding any proposed facilities, and compliance with FERC regulation of Portland General Transmission's transmission rates and services.

1 **Q What assets will transfer from Portland General Electric to Portland General**
2 **Transmission?**

3 A The Transmission Assets are comprised of those assets set forth in Exhibits L-1, L-2,
4 and L-3 of the Application. Certain other assets will not transfer but stay with Portland
5 General Electric.

6

7 **Q Please summarize the categories of assets that will be transferred.**

8 A As summarized in Exhibits L-1, L-2, and L-3 to the Application, the categories of
9 transmission assets that will be transferred include (i) transmission lines, transmission-
10 only substations, and additional physical transmission assets; (ii) transmission- and
11 interconnection service-related contracts; (iii) easements, permits for siting,
12 construction, routing, and operation; and (iv) various other rights relevant to these
13 assets.⁵ To identify the assets to be included as transmission assets, Portland General
14 Electric used a simplified seven-factor test developed in the Company's prior
15 reclassification docket.

16

17 **Q Please explain.**

18 A In Docket UM 2031, PGE and parties agreed to apply four principles to determine which
19 assets should be classified as transmission. PGE continues to view them as a durable
20 approach and has applied the test to identify the transmission facilities that will transfer
21 to Portland General Transmission. The four principles are as follows:

⁵ Portland General Electric notes that it is evaluating various provisions of the contracts, easements and permits and may therefore subsequently update this list.

1 1. Radial lines both to distribution and to customers tend to be distribution, but
2 radial generation tie facilities tend to be transmission for accounting purposes but should
3 be classified as production for ratemaking purposes;

4 2. Non-radial line segments of 57 kV or higher voltage tend to be transmission;

5 3. Transformers with a secondary voltage under 57 kV tend to be distribution; and

6 4. Substation assets (e.g., circuit breakers) that are part of the path that connects
7 the transmission line segments, or equipment associated with transformers with a
8 secondary voltage higher than 57 kV, are considered transmission.

9 This analysis is reflected in Exhibit L1-C.

10
11 **Q What regulatory approvals are required for the formation of a transmission**
12 **company?**

13 **A** The formation of the Portland General Transmission will require regulatory approval
14 from the OPUC, FERC, and the Securities and Exchange Commission (“SEC”).
15 Specific to FERC, the formation of the transmission company will include:

16 1. approval for the transfer of assets from Portland General Electric to Portland
17 General Transmission under Federal Power Act (“FPA”) Section 203;

18 2. approval of an OATT under FPA Section 205;

19 3. approval of a formula transmission rate under FPA Section 205; and

20 4. approval of the General Services Agreement, Concurrence to the General
21 Services Agreement, and any transmission contract amendments and assignments
22 necessary to reflect Portland General Transmission as the transmission service provider,
23 also under FPA Section 205.

1 Following these regulatory approvals and satisfaction of any other pertinent conditions,
2 Portland General Electric will transfer ownership and operational responsibility of the
3 Transmission Assets to Portland General Transmission.

4

5 **Q How will the required approvals affect the timeline for the formation of Portland**
6 **General Transmission?**

7 A Upon OPUC's approval of the proposed Corporate Structure Update, the transmission
8 company will become a new legal entity. The Transmission Assets will remain at
9 Portland General Electric pending FERC approvals. After all required regulatory
10 approvals, including FERC approvals, Portland General Transmission will begin to
11 provide transmission service to Portland General Electric and other customers under a
12 FERC-approved OATT.

13

14 **Q How will the formation of Portland General Transmission affect customer rates?**

15 A Witness Jay Tinker addresses this topic and states that Portland General Electric's retail
16 rates will change to reflect the transmission service provider changes, and in the future
17 state, the transmission revenue requirement will be removed from the base-rate retail
18 revenue requirement. While the way Portland General Electric will incur transmission
19 costs may change, the OPUC retains authority to determine the allocation of future
20 transmission costs included in retail rates. The OPUC's review of such costs will occur
21 in Portland General Electric's Annual Update Tariff ("AUT") proceeding pursuant to
22 Portland General Electric rate schedule 125.

1 **Q How will the transmission company operate?**

2 A Portland General Transmission will focus solely on the development, maintenance, and
3 operation of transmission infrastructure, allowing for more investment in this critical
4 area. Most of the Company’s employees will remain employees of the utility Portland
5 General Electric. Pursuant to the MSA, Portland General Electric will provide the
6 services Portland General Transmission requires to operate and will charge appropriate
7 amounts for these services. Portland General Transmission, after all relevant regulatory
8 approvals are obtained, is expected to become the transmission provider to Portland
9 General Electric. Portland General Transmission will have to plan for the needs of all
10 transmission customers, including Portland General Electric’s load-serving entity,
11 PGEM.

12
13 Portland General Transmission will file an OATT with FERC and, after all regulatory
14 approvals are received, operate separately from Portland General Electric and Portland
15 General Holdings. Portland General Transmission will establish a FERC-jurisdictional
16 stand-alone OATT with cost-based formula transmission rates and Portland General
17 Electric will take service from Portland General Transmission pursuant to this OATT.

18
19 Today, in accordance with FERC Standards of Conduct (“SOC”) regulation, PGEM and
20 Portland General Electric’s transmission function (“PGET”) are required to act as
21 separate functioning business units, where PGET is required to offer open access to its
22 transmission system and is not allowed to show preference toward any wholesale
23 transmission customer, including its affiliate, PGEM. In accordance with FERC SOC

1 considerations, to ensure equal and open access, PGET must post information related to
2 the operation and use of PGET's transmission system on the Open Access Same Time
3 Information System ("OASIS") for wholesale transmission customers. This functional
4 separation dynamic will not change with Portland General Transmission in place.

5
6 Portland General Electric takes its responsibility to ensure safe and reliable electric
7 service at just and reasonable rates seriously. We will continue our holistic approach to
8 our entire system for the benefit of our customers. Every community in our service area
9 is important individually and in concert with each other to create the reliable electric
10 system customers expect.

11
12 **Q What functions will Portland General Electric perform and what functions will**
13 **Portland General Transmission perform?**

14 **A** Portland General Electric will be responsible for:

- 15 ○ Maintaining the commitment to safety, reliability and customer service; and
- 16 ○ Performing the services requested by Portland General Transmission pursuant
- 17 to the MSA.

18 In addition, the General Services Agreement subject to FERC approval will specify that
19 Portland General Transmission will, among various obligations:

- 20 ○ Own transmission assets;
- 21 ○ Maintain a transmission rate and an OATT;
- 22 ○ Maintain its own FERC Form 1;

- 1 ○ Contract with Portland General Electric consistent with the MSA to receive a
- 2 suite of support services necessary to operate Portland General Transmission's
- 3 assets;
- 4 ○ Perform FERC, NERC, WECC, and state regulatory obligations that are
- 5 commensurate with its role; and
- 6 ○ Pay Portland General Electric for services provided by Portland General Electric
- 7 using Portland General Electric assets, including shared transmission and
- 8 distribution assets that Portland General Electric will continue to own.

9

10 **Q How will Portland General Electric ensure that it has adequate transmission access**
11 **to serve its customers?**

12 **A Under Oregon law, utilities are required to furnish adequate and safe service at**
13 **reasonable rates.⁶ As part of that service, Portland General Electric must ensure that it**
14 **has access to the transmission facilities necessary to move electricity to meet customer**
15 **demand. Today Portland General Electric has an obligation to accommodate the needs**
16 **of its customers, and that obligation will not change with the Corporate Structure**
17 **Update.**

18

19 **Q How will Portland General Electric manage its relationship with Portland General**
20 **Transmission to ensure proper separation and compliance with the SOC?**

21 **A Portland General Electric currently complies with the SOC as defined in federal**
22 **regulations. Under the proposed Corporate Structure Update and Application, Portland**

⁶ See O.R.S. § 757.020.

1 General Electric will continue to designate employees who perform Marketing
2 functions under the SOC as Marketing Function Employees and will continue to
3 designate employees who perform transmission functions on behalf of the Portland
4 General Transmission under the SOC as Transmission Function Employees.
5 Transmission Function Employees will:

- 6 ○ treat all transmission customers on a not unduly discriminatory basis and will
7 not grant any undue preference or advantage to any transmission customer;
- 8 ○ operate separately and independently from Market Function Employees; and
- 9 ○ be prohibited from disclosing, or using a conduit to disclose, non-public
10 transmission function information (NPTFI) to Market Function Employees.

11 The Company will continue to ensure proper separation and compliance with the SOC
12 after the Corporate Structure Update is approved.

13
14 **Q Will the Application interfere with entrance into EDAM?**

15 **A** No. Entrance into EDAM remains a top priority to achieve customer savings in the long
16 run through regional market participation. The Company plans to ensure that the
17 Corporate Structure Update occurs in a way that continues to facilitate that participation.

1 **IV. EXISTING AND FUTURE STATE AND FEDERAL REGULATION**

2 **Q Please describe the Oregon Public Utility Commission’s jurisdiction over the**
3 **transmission assets in this proceeding and explain how that differs from FERC’s**
4 **jurisdiction.**

5 **A** Under the Federal Power Act, states have exclusive jurisdiction over facilities used in
6 the local distribution of electricity.⁷ Under Oregon statutes, the OPUC is charged with
7 regulating the terms of electric service and ensuring safe and adequate electric service.⁸

8
9 The classification of assets as either distribution or transmission requires coordination
10 with the OPUC and FERC. If the state commission evaluates the assets at issue using
11 the Seven Factor Test devised by FERC to determine whether facilities are distribution
12 or transmission, FERC has historically deferred to the state regulator’s determination as
13 to the classification of the assets.⁹

14
15 In 1996, FERC issued Order No. 888 requiring all public utilities that own, operate or
16 control interstate transmission facilities to offer network and point-to-point transmission
17 services (and ancillary services) to all eligible buyers and sellers in wholesale bulk
18 power markets, and to take transmission service for their own uses under the same rates,
19 terms, and conditions offered to others. To facilitate this requirement, FERC developed
20 its Seven Factor Test for distinguishing between transmission and distribution facilities.

⁷ 16 U.S.C. 824(b)(1).

⁸ ORS 757.020.

⁹ See *In the Matter of Portland Gen. Elec. Co., Application for Support to Reclassify Plant in Service*, Docket No. UM 2031, OPUC Staff Testimony at 4, n.6 (citing *DTE Energy Co. v. FERC*, 394 F. 3d 954, 965 (D. C. Cir. 2005)) (“OPUC UM 2031 Staff Testimony”).

1 Whether facilities are properly classified as transmission facilities for purposes of
2 ratemaking is ultimately a question for FERC. FERC, however, has concluded it will
3 defer to recommendations by state regulatory authorities concerning where to draw the
4 jurisdictional line under the Commission's technical test for local distribution facilities,
5 so long as the state specifically and appropriately applies FERC's Seven Factor Test in
6 its analysis, and how to allocate costs for such facilities to be included in retail rates,
7 provided that such recommendations are consistent with the essential elements of Order
8 No. 888.¹⁰

9
10 **Q What agencies will regulate Portland General Transmission and Portland General**
11 **Electric after the Corporate Structure Update?**

12 **A** Portland General Transmission will be regulated by FERC, as it will be a transmission-
13 only company that builds, owns, and operates transmission infrastructure, and FERC
14 will set Portland General Transmission's rates. Portland General Electric is subject to
15 both FERC and OPUC oversight. This dual oversight ensures greater accountability and
16 alignment with Oregon's specific needs. Portland General Electric's IRP and CEP play
17 crucial roles in providing oversight over Portland General Electric by ensuring that their
18 operations align with state energy goals and regulatory requirements.

¹⁰ OPUC UM 2031 Staff Testimony at 5, n.8 (citing Order No. 888 at 31, 784 and n.548).

1 **Q How will the OPUC’s regulation change as a result of the Corporate Structure**
2 **Update?**

3 **A The OPUC will continue to regulate the jurisdictional functions of Portland General**
4 **Electric, and in the future state the OPUC will regulate:**

- 5 ○ The ringfencing procedures and agreed-to conditions necessary to effectuate the
6 relief in the Application;
- 7 ○ The affiliate interest reporting necessary to effectuate the Corporate Structure
8 Update and Affiliate Interest Update;
- 9 ○ The impact of transmission costs reflected in retail rates via Portland General
10 Transmission’s power cost billings to Portland General Electric as reflected in
11 Portland General Electric’s AUT and general rate cases;
- 12 ○ Prudence of Portland General Electric’s purchase of transmission service rights
13 based on retail customer need and value proposition to customers in Portland
14 General Electric’s IRP, CEP, and AUT proceedings;
- 15 ○ Consumer protections;
- 16 ○ Jurisdictional service quality; and
- 17 ○ Portland General Electric’s compliance with environmental and decarbonization
18 goals.

1 **V. BENEFITS OF PORTLAND GENERAL TRANSMISSION**

2 **Q Is the formation of Portland General Transmission and the transfer of utility assets**
3 **and property to a new subsidiary in the public interest?**

4 A Yes. The transfer of Portland General Electric’s transmission assets to Portland General
5 Transmission will ensure a net benefit to customers by making it easier to access lower-
6 cost capital, which will help Portland General Transmission invest in a modern, reliable,
7 clean energy grid that Portland General Electric will use to serve customers to keep
8 customer prices as low as possible. Forming a transmission company will benefit
9 customers and will not harm Oregon’s general public.

10
11 **Q What are the Customer Benefits resulting from the Formation of a Transmission**
12 **Company?**

13 A There are numerous benefits to forming a transmission company. Portland General
14 Electric customers will be protected from the risks associated from future transmission
15 investment because they will only pay for the transmission rights acquired by PGEM’s
16 function, and approved by the OPUC for recovery through power costs in the AUT
17 annual proceeding.

18
19 The formation of Portland General Transmission also provides a potential alternative
20 way to raise capital and allow for investment in transmission assets to help meet
21 customer demand growth and improve reliability. The formation of the transmission
22 company will provide the opportunity to lower the cost of capital for investment in
23 customer-serving assets and it will facilitate transmission investments from third parties,

1 including potentially an infrastructure investment partner, that could provide Portland
2 General Transmission with stable financing for long-term transmission investments.

3
4 Additionally, customers will benefit from a transmission company's ability to deliver
5 the transmission infrastructure needed faster, at greater scale, and at lower cost. Lower
6 cost is facilitated in part via the alternative ways to raise capital and via the provisions
7 in HB 3336 that, among other things, require Portland General Electric to enhance grid
8 performance to minimize future transmission investments. When Portland General
9 Electric takes steps to ensure future transmission investments are necessary and Portland
10 General Transmission is able to finance those necessary investments at the least possible
11 costs, ratepayers benefit. Furthermore, Portland General Electric ratepayers and
12 Oregonians benefit from the efforts to achieve the state's policies set forth in HB 3336
13 to create efficiencies and resilience in the transmission system, maintain energy
14 affordability, and meet the state's clean energy targets.

15
16 **Q Does this conclude your testimony?**

17 **A** Yes.

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OREGON

**In the Matter of PORTLAND
GENERAL ELECTRIC
COMPANY, Applications for
Approval of Corporate
Reorganization to Create a Holding
Company, Transfer Assets, and
Update Affiliate Interest Agreement**

DOCKET NO. UM 2385

I. INTRODUCTION AND SUMMARY

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Q Please state your name, business address, and position at Portland General Electric Company.

A My name is Jay Tinker. I am the Senior Manager of Regulatory Operations for Portland General Electric Company (“Portland General Electric,” or the “Company”). My business address is 121 SW Salmon St., Portland, OR 97205.

Q Please summarize your educational background and business experience.

A I received a Bachelor of Science in Finance and Economics from Portland State University and a Master of Science in Economics from Portland State University. I began working for the Company in June 1996 in Rates and Regulatory Affairs and entered my current in position in March 2025.

Q What is the purpose of your testimony?

1 A My testimony is offered in support of Portland General Electric’s Application to the
2 Oregon Public Utilities Commission (“Commission” or “OPUC”), in which it requests
3 approval (the “Application”) of three items: (1) a corporate reorganization that will
4 result in a holding company structure in which the Company will be a wholly-owned
5 subsidiary (of “Portland General Holdings Company,” or “Holdings”) and have an
6 affiliate that is a transmission company (“Portland General Transmission Company” or
7 “Portland General Transmission”) (the reorganization, “Corporate Structure Update”),
8 (2) the transfer (the “Property Transfer”) of certain of the Company’s transmission
9 assets (the “Transmission Assets”)¹ from Portland General Electric to Portland General
10 Transmission, and (3) the update of the Company’s Master Services Agreement and
11 associated Cost Allocation Manual to account for the Corporate Structure Update and
12 Property Transfer (“Affiliate Interest Update”).

13

14 The purpose of my testimony is to provide an overview of transmission rate setting in
15 its current and future state and to highlight how, all else being equal, the transmission
16 rates passed through to the Company’s retail ratepayers should not be impacted by the
17 Application. I will also discuss the basic accounting and regulatory impacts associated
18 with the proposed Property Transfer as they pertain to Portland General Electric’s retail
19 electric rate process in Oregon.

20

21 **Q Please begin by summarizing your testimony.**

¹ As noted in the testimonies of Sujata Pagedar and Jack Podlesnik, the Transmission Assets are included in the Application as Exhibits L-1, L-2, and L-3.

1 A The establishment of Portland General Transmission will change the method by which
2 the OPUC evaluates Portland General Electric’s transmission revenue requirement and
3 rates but does not prevent the OPUC’s ability to set fair, just and reasonable retail rates
4 in a manner consistent with Oregon law. In fact, the new process leverages an existing
5 OPUC process that is long-established and implemented with robust review. My
6 testimony demonstrates that the proposed Property Transfer and Corporate Structure
7 Update will preserve cost-based regulatory accounting and financial reporting to the
8 Commission. The Application therefore does not pose any harm to Portland General
9 Electric ratepayers and, in fact, when considered with the state public policy
10 perspectives and testimonies of Sujata Pagedar and Jack Podlesnik, the proposals in the
11 Application provide a net benefit.

12
13 **II. TRANSMISSION COSTS IN RETAIL RATES – CURRENT**

14 **Q Please explain how Portland General Electric’s transmission rates are set today.**

15 A Today, Portland General Electric’s requests for retail transmission rates are based on a
16 vertically integrated model where Portland General Electric is the owner and operator
17 of transmission assets. Portland General Electric’s submittals to the OPUC thus include
18 the traditional elements of a cost-of-service model including revenue requirement based
19 on cost of capital, rate base and related operations and maintenance (“O&M”) costs.

20
21 **Q What role does the Federal Energy Regulatory Commission (“FERC”) have in**
22 **transmission rate setting today?**

1 A Today, the FERC-approved wholesale transmission service rates incorporated in
2 Portland General Electric’s Open Access Transmission Tariff (“OATT”) are based on a
3 traditional cost-of-service model with the revenue requirement including a return of and
4 on capital investment and recovery of corporate overheads (Administrative and General,
5 and O&M).

6 **Q How do the current dual OPUC and FERC rate setting processes interact?**

7 A Today, all wholesale transmission customers are charged the FERC-accepted wholesale
8 transmission rate, but the OPUC sets the transmission component of PGE’s retail rates
9 as part of the general rate case process. Consistent with Oregon law, Portland General
10 Electric separately accounts for costs associated with transmission service and
11 separately reflects these costs and rates in Portland General Electric’s tariff book.²

12
13 **Q Please summarize the Company’s most recent Oregon rate case results for retail
14 transmission rates.**

15 A In Docket UE 435, the OPUC approved the following revenue requirement for retail
16 transmission rates effective January 1, 2025, as shown in Figure 1 below:

17 **Figure 1: Portland General Electric’s Existing
Transmission Revenue Requirement**

Transmission Rate Base	\$841.6 million
Return on Rate Base	\$58.8 million
Transmission O&M	\$28.0 million
Transmission Depreciation and Amortization	\$35.0 million
Related Taxes	<u>\$26.8 million</u>

² See, e.g., Schedule 7 for Residential Service; Schedule 32 Small Nonresidential Standard Service; and Schedule 38, Large Nonresidential Optional Time-of-Day Standard Service (Cost of Service).

Total Revenue Requirement \$148.6 million
Third Party Revenues \$(14.0) million
Net Revenue Requirement \$134.6 million

1 The net revenue requirement in Figure 1 of \$134.6 million represents the approved
2 revenue requirement that was used to establish retail transmission rates. The \$14.0
3 million revenue credit being applied to the gross revenue requirement above represents
4 the expected transmission revenue to be collected from non-PGE transmission
5 customers based on the approved FERC OATT rate. Thus, the result today is that the
6 OPUC nets the revenues generated from non-PGE transmission customers via the
7 FERC-approved OATT rate for purposes of determining the retail transmission revenue
8 requirement.

9

10 **Q Does this mean that PGE acquires transmission service at the OPUC approved**
11 **retail rate?**

12 **A** No. Today Portland General Electric's merchant function ("PGEM") purchases
13 transmission service from Portland General Electric's transmission function ("PGET")
14 at the FERC approved OATT rate. PGE as a transmission customer pays the same rate
15 as all other transmission customers. However, because today both PGEM and PGET
16 are part of PGE, the acquisition of transmission capacity by PGEM from PGET is an
17 *intra-company* transaction with equal and offsetting expenses (for PGEM) and revenues
18 (for PGET). Today, neither the revenue nor expense side of this intracompany
19 transaction is the basis for setting retail rates. In the future, this transaction will become

1 an *inter*-company transaction between Portland General Transmission and Portland
2 General Electric. This shift to an inter-company transaction will become the future area
3 of focus by which the OPUC will evaluate whether Portland General Electric's request
4 for cost recovery for charges paid to Portland General Transmission is prudent.

5 **III. TRANSMISSION COSTS IN RETAIL RATES – FUTURE**

6 **Q Please explain how Portland General Electric's transmission costs will be**
7 **evaluated in the future.**

8 A In the future, and assuming the OPUC approves the Application, Portland General
9 Electric will not own the Transmission Assets that form the basis of retail transmission
10 charges today. Specifically, the rate base associated with the Transmission Assets will
11 be on Portland General Transmission's financial records and not on Portland General
12 Electric's financial records.

13
14 **Q How will Portland General Electric incur transmission costs in the future?**

15 A Portland General Electric will incur transmission costs through its contractual
16 acquisition of transmission service from Portland General Transmission, pursuant to
17 Portland General Transmission's OATT rates.

18
19 **Q Will these OATT rates of Portland General Transmission still be set by a**
20 **competent regulator?**

21 A Yes. FERC will regulate Portland General Transmission's OATT rate just as they have
22 historically regulated Portland General Electric's OATT rate.

1

2 **Q Is the concept of unbundled transmission new?**

3 A No. Portland General Electric has been purchasing power, energy, and transmission
4 services from third parties for quite some time under FERC-approved rates, including
5 those purchased power costs and transmission services in retail rates approved by the
6 Commission either through a base rate increase or the Annual Update Tariff (“AUT”).
7 In addition, transmission-dependent utilities, such as electric cooperatives and
8 municipalities, have been purchasing transmission and power services from other
9 interstate utilities for some time. For example, Portland General Electric provides
10 transmission service to a number of municipal utilities and cooperatives in Oregon,
11 pursuant to the FERC OATT or a legacy agreement.

12

13 Unbundled transmission occurred in the interstate natural gas industry in the 1980s.
14 Before then, pipelines bundled wholesale sales services to local distribution companies,
15 but today those distribution companies buy transportation services from the pipelines
16 under FERC-regulated tariffs, ancillary services such as storage from pipelines and
17 other third parties, and natural gas supplies from non-regulated suppliers, and then
18 recover all of their wholesale costs in retail rates determined by their state utility
19 commissions. Although the pipeline restructuring process resulted in a paradigm shift
20 with regard to the industry structure and distribution company purchasing practices, the
21 change went largely unnoticed by retail gas customers. But these customers enjoyed
22 the benefits of more available and more reliable supplies, construction of significant
23 new delivery infrastructure and lower retail gas rates. Portland General Electric

1 anticipates that its customers will realize similar benefits as a result of the Corporate
2 Structure Update and relief in the Application.

3 **Q Will the Application affect Portland General Electric's retail electric rates?**

4 A No. Until there is a retail base rate case or other rate change authorized by the OPUC,
5 the relief sought in the Application will not affect Portland General Electric's retail
6 electric rates in Oregon.

7
8 **Q What basic changes will be required for Portland General Electric's retail cost of
9 service in Oregon?**

10 A The basic change will be to remove the Transmission Assets identified in Exhibits L-1,
11 L-2, and L-3 of the Application as described in the testimonies of Sujata Pagedar and
12 Jack Podlesnik. All costs associated with the Transmission Assets will also be
13 identified, including net asset values included in rate base, depreciation expense,
14 deferred taxes, property taxes, and related deductions used to compute current income
15 taxes. Once identified, all of these costs will be treated as FERC jurisdictional under
16 the Asset Transfer Agreement and excluded from the Company's retail cost of service
17 study ("COSS"). Consistent with state law requirements, the pro-forma calculations
18 based on the list of Transmission Assets as of today are reflected in Exhibits E, G and
19 H attached to the Application. These costs will be replaced by the purchase of wholesale

1 transmission related services from Portland General Transmission under its OATT. The
2 asset and cost identification process is further described in the testimony of Jack
3 Podlesnik.

4 **Q How will the transmission O&M costs be treated?**

5 A Portland General Electric will continue to provide the O&M services for the
6 Transmission Assets transferred to Portland General Transmission. The Company will
7 bill Portland General Transmission for its monthly O&M costs on a fully allocated basis,
8 and Portland General Transmission will recover the O&M charges from system users,
9 including the Company, under its transmission rate. All current transmission-related
10 O&M costs need to be identified and removed from the Company's retail COSS and
11 replaced with the cost of purchased transmission services from Portland General
12 Transmission, which will include the O&M. In general, the FERC Uniform System of
13 Accounts can be used to identify these costs. After these cost components have been
14 identified and removed, they will be replaced by the cost of the purchase of transmission
15 services from Portland General Transmission, which will be recorded in FERC Account
16 565 – Transmission by Others. By removing the O&M costs from the retail COSS, we
17 prevent the costs from being double-counted.

18

19 **Q Will the Company reflect the transmission service costs incurred under Portland**
20 **General Transmission's OATT and the payments from Portland General**

1 **Transmission under the MSA and CAM in the Company’s annual financial reports**
2 **to the Commission?**

3 A Yes, the Company will include these costs and payments in its annual affiliate interest
4 reports. As mentioned above, the costs will be recorded in FERC Account 565 –
5 Transmission by Others and payments will be recorded in FERC Account 456 – Other
6 Electric Revenues.

7
8 **Q What will be the OPUC’s role in determining Portland General Electric’s**
9 **transmission costs in setting retail rates in the future?**

10 A Portland General Electric’s purchases of transmission service from Portland General
11 Transmission pursuant to the FERC-established OATT will be recorded as a power cost
12 (specifically, wheeling expense FERC Account 565). Today, and in the future, Portland
13 General Electric will seek recovery of its net variable power costs (“NVPC”) from the
14 OPUC through the AUT (Schedule 125). In this process, and while the OPUC cannot
15 modify Portland General Transmission’s rates for transmission service, the OPUC
16 retains authority to determine the prudence of cost and allocation of transmission costs
17 included in retail rates. The Commission will have continued regulation over the costs
18 and revenues reports in the annual affiliated interest filings.

19
20 **Q Will the AUT then be the regulatory process through which the OPUC will**
21 **determine the reasonableness of the purchased transmission from Portland**
22 **General Transmission?**

1 A Yes. In the future Portland General Electric will submit its power cost forecasts
2 inclusive of the Portland General Electric purchases from Portland General
3 Transmission in the AUT. In essence, the annual transmission service costs under the
4 Portland General Transmission rates will be included in the Company's retail costs
5 rather than the traditional embedded costs, similar to how purchased power capacity
6 expenses are recorded, versus the cost of Company-owned generation. As part of those
7 proceedings, the OPUC will have access to books and records of all the costs Portland
8 General Electric incurs, including the transmission service costs incurred from Portland
9 General Transmission. We expect the same types of robust discovery and regulatory
10 process typical of past AUT filings to apply to future AUT filings and that the OPUC
11 and parties will evaluate the costs to determine prudence for purposes of retail cost
12 recovery.

13

14 **Q The focus of AUT proceedings is net variable power costs. Does this mean that in**
15 **the future the Commission will have no ability to evaluate retail transmission**
16 **costs?**

17 A No. Unless there is a modification to the mandates in ORS 757.642, we expect to
18 continue to adhere to the Commission's Chapter 860, Division 38 Direct Access
19 requirements to unbundle our revenue requirement including a transmission revenue
20 requirement and corresponding rate design. We expect that in the future, the portion of
21 Commission-approved AUT cost of transmission purchased from Portland General
22 Transmission under its OATT will be separated and used as the basis of the transmission
23 revenue requirement to meet Division 38 requirements.

1

2

IV. CHANGES IN TRANSMISSION COSTS SHOULD BE NET NEUTRAL

3

Q Given the change in methodology for determining the OPUC approved transmission revenue requirement, is there any reason to expect that retail transmission costs would be systematically higher or lower than they would have been absent the establishment of Portland General Transmission?

4

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6

7

A No. While there was not a FERC proceeding with a 2025 test year, as there was at the OPUC, if there had been, it is reasonable to expect that the outcome of the FERC proceeding would be similar to the result of the OPUC proceeding with regard to the portion of revenue requirement to be paid by Portland General Electric (i.e., \$134 million) on the same assets and costs. The basic cost of service framework used to establish FERC-approved transmission revenue requirement (i.e., expense plus return on rate base) is the same framework that has been used by the Commission.

8

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Q But might there be differences between FERC and OPUC decisions on transmission cost recovery?

16

17

A Of course, but there is no reason to expect such differences to be systematically higher or lower. For example, in the last FERC proceeding with a 2022 test year there was an agreement to settle the case with a \$10 million black box settlement. The OPUC rate case with the same 2022 test year had no equivalent transmission-specific settlement. This is not to say the FERC revenue requirement will always be lower or always reflect such settlements in the future, but the most logical expectation is that differences in decisions between the jurisdictions would be expected to be small. For instance, in the

18

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1 2022 dual FERC/OPUC transmission case example the PGEM-related revenue
2 requirement was approximately \$5 million lower at FERC than the transmission revenue
3 requirement for retail rates approved by the OPUC.
4

5 **Q What other assurances does Portland General Electric provide regarding future**
6 **costs associated with transmission service?**

7 A The OPUC will continue to have the authority to evaluate Portland General Electric
8 costs of providing service to retail customers. Portland General Electric wants to be
9 clear that the rates Portland General Electric pays to Portland General Transmission will
10 be set by FERC under a FERC-approved OATT. If, however, the OPUC Portland
11 General Electric has acted imprudently with regard to its acquisition of transmission
12 service and adjustments are appropriate for purposes of setting rates for Portland
13 General Electric's retail customers, the OPUC has the continued ability to do so.
14

15 **Q Does this mean the transmission costs for Portland General Transmission service**
16 **will never rise higher?**

17 A No, in light of the significant transmission investment needs identified in this
18 proceeding and elsewhere to access the growing need for renewable energy resources,
19 to serve increased load, and given constrained regional transmission access more
20 generally, costs associated with transmission service will inevitably increase.
21 Therefore, absent the establishment of Portland General Transmission, we would expect
22 Portland General Electric's transmission revenue requirement to go up over time
23 reflecting necessary investments in the system to serve load and enable state policies

1 such as the clean energy law passed in 2021. As stated by witnesses Sujata Pagedar and
2 Jack Podlesnik, we believe that the establishment of Portland General Transmission will
3 create opportunities to lower capital costs which will benefit customers through lower
4 transmission revenue requirement, all else equal. In other words, it is Portland General
5 Electric's intention in bringing the Application to help manage all future investments,
6 including transmission investments, in the most cost-effective manner for our
7 ratepayers.

8 **Q Does this conclude your testimony?**

9 **A Yes.**