



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

July 1, 2009

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol Street, N.E., Suite 215
Salem, OR 97301-2551

RE: Advice No. 09-15, Annual Power Cost Variance Mechanism

In addition to the electronic filing, enclosed is the original and three courtesy copies with a requested effective date of **January 1, 2010**:

Second Revision of Sheet No. 126-4
Second Revision of Sheet No. 126-5

The purpose of this filing is to establish the prices associated with the 2008 Power Cost Variance (2008 PCV). In accordance with the filing requirements outlined in Schedule 126 tariff, attached is PGE Exhibit 100, which includes the testimony and work papers supporting the calculations of the 2008 PCV and earnings test results. Also included is a Motion for Protective Order.

The proposed Schedule 126 rates are set to zero reflecting the anticipated expiration of the current Schedule 126 credit and incorporation of the 2008 PCV amount. Work papers to Exhibit 100 include the summary table of price impacts by schedule and bill comparisons.

Please direct any questions regarding this filing to Patrick Hager at (503) 464-7580.

Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pgn.com

Sincerely,

Randall J. Dahlgren
Director, Regulatory Policy & Affairs

Enclosure(s)
UE 201 Service List

Schedule 126 (Continued)

TIME AND MANNER OF FILING (Continued)

Included in this filing will be the following information:

- 1) A transmittal letter that summarizes the proposed changes.
- 2) Revised Power Cost Variance Rates.
- 3) Work papers supporting the calculation of the revised PCV rates.

If the Company finds that the PCV Rates may over or under collect revenues in a particular year, the Company may recommend a modification of the Adjustment Rates to the Commission. The Company may also recommend that the Commission consider Adjustment Rates based on a collection or refund period different than one year based on the balance in the PCV Account.

POWER COST VARIANCE RATES

The PCV Rates will be determined on an equal cents per kWh basis. The PCV Rates are:

<u>Schedule</u>	<u>Adjustment Rate</u>	(R)
7	0.000 ¢ per kWh	(R)
15	0.000 ¢ per kWh	
32	0.000 ¢ per kWh	
38	0.000 ¢ per kWh	
47	0.000 ¢ per kWh	
49	0.000 ¢ per kWh	
75		
Secondary	0.000 ¢ per kWh ⁽¹⁾	
Primary	0.000 ¢ per kWh ⁽¹⁾	
Subtransmission	0.000 ¢ per kWh ⁽¹⁾	
83		
Secondary	0.000 ¢ per kWh	
Primary	0.000 ¢ per kWh	
87		
Secondary	0.000 ¢ per kWh ⁽¹⁾	
Primary	0.000 ¢ per kWh ⁽¹⁾	
Subtransmission	0.000 ¢ per kWh ⁽¹⁾	
89		
Secondary	0.000 ¢ per kWh	
Primary	0.000 ¢ per kWh	
Subtransmission	0.000 ¢ per kWh	(R)

(1) Applicable only to the Baseline and Scheduled Maintenance Energy.

(2) Not applicable to Customers where service was received for the entire calendar year that the Annual Power Cost Variance accrued.

Schedule 126 (Continued)

POWER COST VARIANCE RATES (Continued)

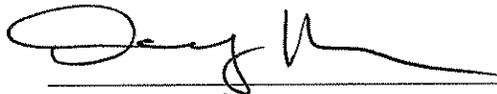
<u>Schedule</u>	<u>Adjustment Rate</u>	(R)
91	0.000 ¢ per kWh	
92	0.000 ¢ per kWh	
93	0.000 ¢ per kWh	
94	0.000 ¢ per kWh	
483		
Secondary	0.000 ¢ per kWh ⁽²⁾	
Primary	0.000 ¢ per kWh ⁽²⁾	
489		
Secondary	0.000 ¢ per kWh ⁽²⁾	
Primary	0.000 ¢ per kWh ⁽²⁾	
Subtransmission	0.000 ¢ per kWh ⁽²⁾	
515	0.000 ¢ per kWh ⁽²⁾	
532	0.000 ¢ per kWh ⁽²⁾	
538	0.000 ¢ per kWh ⁽²⁾	
549	0.000 ¢ per kWh ⁽²⁾	
575		
Secondary	0.000 ¢ per kWh ⁽¹⁾	
Primary	0.000 ¢ per kWh ⁽¹⁾	
Subtransmission	0.000 ¢ per kWh ⁽¹⁾	
583		
Secondary	0.000 ¢ per kWh ⁽²⁾	
Primary	0.000 ¢ per kWh ⁽²⁾	
Subtransmission	0.000 ¢ per kWh ⁽²⁾	
589		
Secondary	0.000 ¢ per kWh ⁽²⁾	
Primary	0.000 ¢ per kWh ⁽²⁾	
Subtransmission	0.000 ¢ per kWh ⁽²⁾	
591	0.000 ¢ per kWh ⁽²⁾	
592	0.000 ¢ per kWh ⁽²⁾	
594	0.000 ¢ per kWh	(R)

(1) Applicable only to the Baseline and Scheduled Maintenance Energy.
(2) Not applicable to Customers where service was received for the entire calendar year that the Annual Power Cost Variance accrued.

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **PGE'S ADVICE FILING NO. 09-15, TARIFF SHEETS, 2008 PCAM TESTIMONY, EXHIBITS, WORK PAPERS, AND MOTION FOR PROTECTIVE ORDER [WITH PROPOSED PROTECTIVE ORDER]** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket UE 201.

Dated at Portland, Oregon, this 1st day of July, 2009.



DOUG KUNS
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon St., 1WTC1301
Portland, OR 97204
(503) 464-7891 (telephone)
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**SERVICE LIST
OPUC DOCKET # UE 201**

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

**Motion for Approval of
Protective Order**

PORTLAND GENERAL ELECTRIC COMPANY

July 01, 2009

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE _____

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

MOTION FOR PROTECTIVE ORDER

Pursuant to ORCP 36(C)(7) and OAR 860-12-0035(1)(k), Portland General Electric Company ("PGE") requests the issuance of a Protective Order in this proceeding. PGE believes good cause exists for the issuance of such an order to protect confidential market information and confidential business information, plans and strategies. In support of this Motion, PGE states:

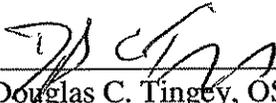
1. Along with this motion, PGE has filed its 2008 Annual Power Cost Variance under Tariff Schedule 126. PGE has filed testimony regarding the power cost variance, and the operation of the mechanism to the 2008 power cost variance. The work papers that support the testimony filed by PGE in this docket include confidential, sensitive business information, including PGE's timing of and prices for electricity purchases and sales, fuel purchases and other contracts. PGE anticipates that there may be requests for further confidential information during this docket as well. PGE desires to provide the requested information, but the information is confidential, sensitive business information and of significant commercial value, and its public disclosure could be detrimental to PGE and its customers.

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

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

DATED this 1st day of July, 2009.

Respectfully submitted,



Douglas C. Tingey, OSB No. 044366
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Portland General Electric Company
121 SW Salmon Street, 1WTC1301
Portland, Oregon 97204
(503) 464-8351 phone
(503) 464-2200 fax
doug.tingey@pgn.com

ORDER NO.

ENTERED

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE ____

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

ORDER

DISPOSITION: MOTION FOR PROTECTIVE ORDER GRANTED

On July 1, 2009, Portland General Electric Company ("PGE") filed a Motion for a Protective Order with the Public Utility Commission of Oregon ("Commission") in this docket. PGE states that the workpapers supporting its testimony in this docket contain confidential information including PGE's timing of and prices for electricity purchase and sales, fuel purchases and other contracts. PGE anticipates that there may be requests for further confidential information in this docket. PGE states that good cause exists for the issuance of a protective order to protect confidential business information, plans and strategies. PGE adds that the public release of such information could prejudice PGE and its customers.

Pursuant to OAR 860-012-0035(1)(k), I find that good cause exists to issue a Protective Order, attached as Appendix A. Under the terms of the order, a party may designate as confidential any information that falls within the scope of ORCP 36(C)(7).

Confidential Information shall be disclosed only to a "qualified person" as defined in paragraph 3 of the Protective Order. Authors of the confidential material, the Commission or its Staff, and counsel of record for a party or persons directly employed by counsel are "qualified persons" who may review confidential information. Other persons desiring confidential information must become qualified pursuant to paragraph 10.

To receive confidential information, however, all parties—with the general exception of Staff—must sign the Consent to be Bound Form attached as Appendix B. This includes the party seeking the issuance of the protective order, because any party may designate information as confidential under this order.

The confidentiality of confidential information shall be preserved for a period of five years from the date of the final order in this docket, unless extended by the Commission at the request of the party desiring confidentiality.

ORDER NO.

All persons who are given access to confidential information have the duty to monitor their own conduct to ensure their compliance with the Protective Order. Such persons shall not use or disclose the information for any purpose other than the preparation for and conduct of this proceeding, and shall take all reasonable precautions to keep the confidential information secure. If any questions exist as to the status of any person to receive confidential information, the parties may contact the Administrative Hearings Division at (503) 378-6678.

ORDER

IT IS ORDERED that the Protective Order, attached as Appendix A, shall govern the disclosure of confidential information in this case.

Made, entered, and effective on _____.

[Judge]
Administrative Law Judge

A party may appeal this order to the Commission pursuant to OAR 860-014-0091.

PROTECTIVE ORDER

DOCKET NO. UE_____

Scope of this Order-

1. This order governs the acquisition and use of “Confidential Information” in this proceeding.

Definitions-

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

3. A “qualified person” is an individual who is:

- a. An author(s), addressee(s), or originator(s) of the Confidential Information;
- b. A Commissioner or Commission staff;
- c. Counsel of record for a party;
- d. A person employed directly by counsel of record; or
- e. A person qualified pursuant to paragraph 10. This includes parties and their employees.

Designation of Confidential Information-

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

CONFIDENTIAL
SUBJECT TO PROTECTIVE ORDER

To the extent practicable, the party shall designate as confidential only those portions of the document that fall within ORCP 36(C)(7).

5. A party may designate as confidential any information previously provided by giving written notice to the other parties. Parties in possession of newly designated Confidential

Information shall, when feasible, ensure that all copies of the information bear the above legend to the extent requested by the party desiring confidentiality.

Information Given to the Commission-

6. Confidential Information that is: (a) filed with the Commission or its staff; (b) made an exhibit; (c) incorporated into a transcript; or (d) incorporated into a pleading, brief, or other document, shall be printed on yellow paper, separately bound and placed in a sealed envelope or other appropriate container. An original and five copies each separately sealed shall be provided to the Commission. **Only the portions of a document that fall within ORCP 36(C)(7) shall be placed in the envelope/container.** The envelope/container shall bear the legend:

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

7. The Commission's Administrative Hearings Division shall store the Confidential Information in a locked cabinet dedicated to the storage of Confidential Information.

Disclosure of Confidential Information-

8. Parties desiring receipt of Confidential Information shall sign the Consent to be Bound Form attached as Appendix B. This requirement does not apply to the Commission staff. Confidential Information shall not be disclosed to any person other than a "qualified person," as defined in paragraph 3. When feasible, Confidential Information shall be delivered to counsel. In the alternative, Confidential Information may be made available for inspection and review by qualified persons in a place and time agreeable to the parties or as directed by the Administrative Law Judge.

9. Qualified persons may disclose confidential information to any other qualified person, unless the party desiring confidentiality protests as provided in Section 11.

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

- a. Read a copy of this Protective Order;
- b. Execute a statement acknowledging that the order has been read and agreeing to be bound by the terms of the order;
- c. Date the statement;

- d. Provide a name, address, employer, and job title; and
- e. If the person is a consultant or advisor for a party, provide a description of the nature of the person's consulting or advising practice, including the identity of his/her current, past, and expected clients.

Counsel shall deliver a copy of the signed statement including the information in (d) and (e) above to the party desiring confidentiality and to all parties of record. Such notification may be made via e-mail or facsimile. A person qualified under paragraph 3(e) shall not have access to Confidential Information sooner than five (5) business days after receipt of a copy of the signed statement including the information in (d) and (e) above by the party desiring confidentiality.

11. All qualified persons shall have access to Confidential Information, unless the party desiring confidentiality protests as provided in this paragraph. The party desiring to restrict the qualified person(s) from accessing specific Confidential Information must provide written notice to the qualified person(s) and counsel for the party associated with the qualified person(s) as soon as the party becomes aware of reasons to restrict access. The parties must promptly confer and attempt to resolve any dispute over access to Confidential Information on an informal basis before filing a motion with the Administrative Law Judge. If the dispute cannot be resolved informally, either party may file a motion with the Administrative Law Judge for resolution. Either party may also file a motion if the other party does not respond within five days to a request to resolve the dispute. A motion must describe in detail the intermediate measures, including selected redaction, explored by the parties and explain why such measures do not resolve the dispute. After receipt of the written notice as required in this paragraph, the specific Confidential Information shall not be disclosed to the qualified person(s) until the issue is resolved.

Preservation of Confidentiality-

12. All persons who are given access to any Confidential Information by reason of this order shall not use or disclose the Confidential Information for any purpose other than the purposes of preparation for and conduct of this proceeding, and shall take all reasonable precautions to keep the Confidential Information secure. Disclosure of Confidential Information for purposes of business competition is strictly prohibited.

Qualified persons may copy, microfilm, microfiche, or otherwise reproduce Confidential Information to the extent necessary for the preparation and conduct of this proceeding. Qualified persons may disclose Confidential Information only to other qualified persons associated with the same party.

Duration of Protection-

13. The Commission shall preserve the confidentiality of Confidential Information for a period of five years from the date of the final order in this docket, unless extended by the Commission at the request of the party desiring confidentiality. The Commission shall notify the party desiring confidentiality at least two weeks prior to the release of confidential information.

Destruction After Proceeding-

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

Appeal to the Presiding Officer-

15. If a party disagrees with the designation of information as confidential, the party shall contact the designating party and attempt to resolve the dispute on an informal basis. If the parties are unable to resolve the dispute, the party desiring to use the information may move for exclusion of the information from the protection conferred by this order. The motion shall:

- a. Specifically identify the contested information, and
- b. Assert that the information does not fall within ORCP 36(C)(7) and state the reasons therefore.

The party resisting disclosure has the burden of showing that the challenged information falls within ORCP 36(C)(7). If the party resisting disclosure does not respond to the motion within ten (10) calendar days, the challenged information shall be removed from the protection of this order.

The information shall not be disclosed pending a ruling by the Administrative Law Judge on the motion.

Additional Protection-

16. The party desiring additional protection may move for any of the remedies set forth in ORCP 36(C). The motion shall state:

ORDER NO.

- a. The parties and persons involved;
- b. The exact nature of the information involved;
- c. The exact nature of the relief requested;
- d. The specific reasons the requested relief is necessary; and
- e. A detailed description of the intermediate measures, including selected redaction, explored by the parties and why such measures do not resolve the dispute.

The information need not be released and, if released, shall not be disclosed pending the Commission's ruling on the motion.

SIGNATORY PAGE

DOCKET NO. UE _____

I. Consent to be Bound-

This Protective Order governs the use of "Confidential Information" in this proceeding.

_____ PGE agrees to be bound by its terms of this Protective Order.

By: _____
Signature & Printed Date

II. Persons Qualified pursuant to Paragraphs 3(a) through 3 (d)

_____ PGE identifies the following person(s) automatically qualified under paragraph 3(a) through (d).

_____	_____
Printed	Date
_____	_____
Printed	Date
_____	_____
Printed	Date
_____	_____
Printed	Date
_____	_____
Printed	Date
_____	_____
Printed	Date

III. Persons Qualified pursuant to Paragraph 3(e) and Paragraph 10.

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

By: _____
Signature & Printed Date

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

**UE ____
2008 PCAM**

PORTLAND GENERAL ELECTRIC COMPANY

Direct Testimony and Exhibits



Portland General Electric

July 1, 2009

2008 PCAM

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I. Introduction

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

2 A. My name is Alex Tooman. I am a project manager for PGE. I am responsible, along with
3 Mr. Tinker, for the development of PGE's revenue requirement forecast. In addition, my
4 areas of responsibility include results of operations reporting, affiliated interest filings, and
5 other regulatory analyses.

6 My name is Jay Tinker. I am also a project manager for PGE. My areas of
7 responsibility include revenue requirement and other regulatory analyses.

8 Our qualifications appear at the end of this testimony.

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

10 A. The purpose of our testimony is two-fold. First, we describe the 2008 Power Cost Variance
11 (PCV), including base and actual power costs. Second, we describe how we determined the
12 deferred amount for power costs using the power cost adjustment mechanism (PCAM)
13 authorized by the Oregon Public Utility Commission (OPUC or Commission) in Order No.
14 07-015 (Docket UE 180) and established in PGE Schedule 126.

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

16 A. The first step in the process compares PGE's actual unit net variable power costs (NVPC)
17 with our Base Unit NVPC and then multiplies the difference by actual load to determine an
18 Annual Variance. We then apply an asymmetrical power cost deadband to the Annual
19 Variance followed by 90-10 sharing between customers and shareholders to develop the
20 PCV (see Order No. 07-015, page 26). After this, we apply a symmetrical return on equity
21 (ROE) deadband to an earnings test to determine whether the final PCV should be collected
22 from or refunded to customers (see PGE Exhibit 101 for a summary of the PCV calculation).

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

6 **Q. What is the PCV for 2008?**

7 A. For 2008, actual power costs were below base power costs, resulting in an Annual Variance
8 of approximately (\$31.8 million).¹ After the application of power cost deadbands and the
9 sharing percentages, the PCV is approximately (\$16.1 million). However, after application
10 of the earnings test deadband, there is no refund to customers because PGE's 2008 regulated
11 adjusted earnings of 10.2% are below our authorized ROE plus 100 basis points or 11.1%.
12 (PGE Exhibit 102 provides the earnings test results for 2008.)

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

14 A. Yes. In PGE's previous PCAM for 2007, Docket No. UE 201, parties agreed to MFRs for
15 future PCAMs. The MFRs specify that work papers to PGE's PCAM filing include the
16 following:

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

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

21 A. We begin by describing in greater detail how PGE calculated the PCV as determined by the
22 Annual Variance, the power cost deadband, and the sharing percentages. We then describe

¹ In our testimony, (\$_____) signifies a credit.

- 1 PGE's PCAM earnings review and the application of the ROE deadband in order to
- 2 determine the final PCV. The last section contains our qualifications.

II. Calculation of PCV

A. Base Power Costs

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

2 A. The first step is to identify PGE's base NVPC, which are based on the final power cost
3 forecasts that PGE created for UE 192 (2008 AUT filing) using our power cost forecasting
4 model, Monet.² The Monet result establishes the unadjusted base NVPC of approximately
5 \$744.8 million for 2008.

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

7 A. Yes. From the unadjusted base NVPC, we applied two adjustments as directed by the
8 Commission in Order No. 07-015 to achieve adjusted base power costs. First, we reduced
9 power costs by \$1.4 million to recognize ancillary service revenue. Second, we reduced
10 power costs by another \$1.4 million to recognize steam sales from our Coyote Springs plant.

11 **Q. Did you have any adjustments related to the Super Peak capacity contract and the
12 Boardman forced outage rate as directed by Commission in Order No. 07-015?**

13 A. No. Because these items were incorporated directly into the base power costs as filed in
14 UE 192, there are no additional adjustments necessary to calculate the 2008 PCV.

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

16 A. Yes. PGE reduced power costs related to the additional 107 MWa of 2008 direct access and
17 variable price option load that had not been identified at the time the final Monet runs were
18 prepared in November 2007. This reduced base power costs by another \$56.8 million (and,
19 of course, it also reduced the base loads used to determine unit NVPC).

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

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

2 A. After the three adjustments described above, base NVPC for 2008 were approximately
3 \$685.2 million.

B. Actual Power Costs

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

5 A. The next step is to calculate PGE's actual NVPC for 2008. We begin this step by
6 identifying PGE's variable power costs as charged to the following FERC accounts: 501,
7 547, 555, and 565. We then include the amount of sales for resale, as charged to FERC 447.
8 For 2008, this net amount is \$682.2 million. To this amount, we apply a number of
9 adjustments as listed in Table 1, and described below.

Table 1

Adjustments to Actual 2008 Power Costs (\$000)

Actual NVPC per financial statements		\$682,227
Excluded Items per Schedule 126:		
FAS 133/71, mark-to-market deferrals	subtract	4,378
Credit reserve activity	subtract	(4,742)
Out of period items	subtract	579
Other Excluded Items		
Biglow Canyon 1 royalty costs	subtract	827
Green power costs billed directly to customers	subtract	4,884
Items to Include		
Coyote steam sales	add	(2,097)
Gas resale revenues*	add	(1,902)
Oil sale revenues**	add	(15,165)
Biglow availability credit	add	(486)
Energy revenues for variable price option customers	add	<u>(9,694)</u>
Adjusted Actual NVPC		\$646,958

* Included per Tariff Schedule 126.

** Included as fuel resale, similar to gas resale as specified in Tariff Schedule 126.

10 **Q. What adjustments did PGE apply to its actual NVPC per Schedule 126?**

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

- 1 • A charge of \$4.4 million for activity associated with FAS 133/71 mark-to-market
- 2 deferrals. This charge is offset in the credit reserve line that follows.
- 3 • A credit of (\$4.7 million) for reserve activity related to non-retail customers during
- 4 the PCAM period.
- 5 • A charge of \$579,000 for out-of-period items. The primary component is \$440,000
- 6 for a BPA transmission loss settlement, which relates to the 2001-2005 time period.

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

8 A. Yes. PGE also removed the following:

- 9 • A charge of \$827,000 for Biglow Canyon 1 royalty costs. In UE 188, these costs
- 10 were specifically included in fixed O&M for the 2008 test year and not included
- 11 in baseline power costs. (In UE 197, the Biglow Canyon 1 royalty costs were
- 12 included in 2009 baseline power costs and will be part of 2009 actual power
- 13 costs.)
- 14 • \$4.9 million for green power expenses that are billed directly to customers
- 15 through Schedules 7 and 32. Consequently, they should not be included when
- 16 calculating the PCV.

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

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

- 19 • A credit of (\$2.1 million) for steam sale revenues from the Coyote Springs 1
- 20 plant.
- 21 • A credit of (\$1.9 million) for gas resale revenues.
- 22 • A credit of (\$15.2 million) for oil resale revenues.

- 1 • A credit of (\$486,000) for the Biglow Canyon availability adjustment.³
- 2 • A credit of (\$9.7 million) for energy revenues from variable price option
- 3 customers.

4 **Q. Are Sales of Ancillary Services included in actual NVPC?**

5 A. Yes. Actual revenues from sales of ancillary services of approximately \$733,000 are
6 included as a credit to actual NVPC included in our financial statements (i.e., in FERC
7 account 447).

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

9 A. After all the adjustments described above, final actual NVPC total is approximately \$647.0
10 million.

C. Unit Power Costs and Annual Variance

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

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

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

18 A. Although PGE Exhibit 101 lists the PCV on a monthly basis, the unit NVPC variance for
19 purposes of the PCAM is based on annual amounts. For 2008, the unit NVPC variance is
20 approximately -\$1.84 per MWh. We then calculate the Annual Variance by multiplying the

³ While not specifically a power cost, the credit effectively offsets higher purchased power costs in 2008 due to Biglow Canyon 1 having a lower availability factor than contracted.

1 unit NVPC variance times actual load. This produces an Annual Variance of approximately
2 (\$31.8 million).

D. PCV

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

4 A. The final step is to apply the deadbands and sharing percentages to the Annual Variance.
5 Because we focus on the earnings test and ROE deadband in the next section, we only
6 discuss the power cost deadband here.

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

8 A. The power cost deadband is asymmetrical such that it will “range from 75 basis points ROE
9 below the base level of NVPC included in rates, to 150 basis points ROE above”
10 (Commission Order No. 07-015, page 26). Because PGE realized actual power costs below
11 base power costs in 2008, we use the 75 basis point ROE, resulting in a credit deadband of
12 approximately (\$13.8 million).

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

14 A. After we deduct the (\$13.8 million) power cost deadband from the Annual Variance of
15 (\$31.8 million), we have (\$17.9 million) to allocate between customers (90%) and
16 shareholders (10%). Applying the 90% customer share to that credit results in a PCV of
17 approximately (\$16.1 million), subject to the earnings test described in the next section.

III. Earnings Review

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

2 A. Yes. We performed this review initially as part of our annual requirement to provide a
3 Results of Operations (ROO) Report to the OPUC Staff, which we submitted on May 22,
4 2009. Because the ROO incorporates all aspects of the PCAM earnings review, PGE uses it
5 as the basis for the ROE deadband. We include it as PGE Exhibit 102.

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

7 A. The ROE deadband is +/-100 basis points of PGE's authorized ROE, which for 2008 is
8 10.1% (Commission Order No. 07-015). This means that if PGE's earnings are within 9.1%
9 and 11.1%, PGE absorbs the entire PCV. If PGE's earnings are below 9.1%, then we would
10 collect the PCV up to the point where the ROE is 9.1%. Alternatively, if PGE's earnings are
11 above 11.1%, then we would refund the PCV down to the point where the ROE is 11.1%.

12 **Q. What was PGE's final 2008 ROE including the PCV?**

13 A. PGE's final 2008 ROE was 10.19%,⁴ which is within the 9.1% - 11.1% deadband. Thus,
14 there is no customer refund (or collection) associated with the 2008 PCAM.

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

18 A. Yes. PGE Exhibit 104 provides the stipulated ROE results; however, because the final 2008
19 PCAM amount equaled zero, there is no impact from this entry.

20 **Q. What is the rate impact of the 2008 PCAM?**

⁴ This is the earnings test result that includes the relevant adjustments from Commission Order No. 07-015 and the OPUC letter regarding the calculation of ROOs dated March 25, 1992.

- 1 A. Although the 2008 PCAM refund is zero, the termination of the 2007 PCAM refund in
- 2 Schedule 126 will produce a 1.1% average rate increase for customers as of January 1, 2010.

IV. Qualifications

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

2 A. I received a Bachelor of Science degree in Accounting and Finance from the Ohio State
3 University in 1976. I received a Master of Arts degree in Economics from the University of
4 Tennessee in 1993 and a Ph.D. in Economics from the University of Tennessee in 1995. I
5 have held managerial accounting positions in a variety of industries and have taught
6 economics at the undergraduate level for the University of Tennessee, Tennessee Wesleyan
7 College, Western Oregon University, and Linfield College. Finally, I have worked for PGE
8 in the Rates and Regulatory Affairs department since 1996.

9 **Q. Mr. Tinker, please state your educational background and experience.**

10 A. I received a Bachelor of Science degree in Finance and Economics from Portland State
11 University in 1993 and a Master of Science degree in Economics from Portland State
12 University in 1995. In 1999, I obtained the Chartered Financial Analyst (CFA) designation.
13 I have worked in the Rates and Regulatory Affairs department since 1996.

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

15 A. Yes.

List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
101	Summary Calculation of PCV
102	2008 Results of Operations as filed May 22, 2009
103C	Actual Power Costs by Month and PGE Ledgers
104	2008 Results of Operations with segregated PCAM amount

PGE Power Cost Variance Mechanism (PCAM)

	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total
BASE													
MONET NVPC (60009)													
MONET NVPC (AUT Nov14 Pre-Selection)	\$ 77,665	\$ 67,704	\$ 67,835	\$ 47,527	\$ 52,326	\$ 46,417	\$ 58,688	\$ 61,741	\$ 56,679	\$ 60,035	\$ 69,762	\$ 78,456	\$ 744,834
Adjust - from MONET to ORDER NVPC													
No outboard adjustments for 2008													
ORDER NVPC (PRE-SELECTION)	\$ 77,665	\$ 67,704	\$ 67,835	\$ 47,527	\$ 52,326	\$ 46,417	\$ 58,688	\$ 61,741	\$ 56,679	\$ 60,035	\$ 69,762	\$ 78,456	\$ 744,834
Adjust from ORDER to BASE NVPC													
CAL-ISG Ancillary SVC Revenue - Other Rev	(119)	(119)	(119)	(119)	(119)	(119)	(119)	(119)	(119)	(119)	(119)	(119)	(1,432)
Coyote Steam Sales in GARC - Other Rev	(118)	(118)	(118)	(118)	(118)	(118)	(118)	(118)	(118)	(118)	(118)	(118)	(1,419)
Opt-Outs to MONET NVPC	(5,284)	(4,618)	(4,269)	(3,521)	(3,074)	(2,866)	(5,307)	(6,249)	(5,469)	(5,104)	(5,407)	(5,685)	(56,831)
BASE NVPC (Post-Selection, COS)	\$ 72,143	\$ 62,849	\$ 63,328	\$ 43,769	\$ 49,014	\$ 43,313	\$ 53,143	\$ 55,256	\$ 50,973	\$ 54,693	\$ 64,117	\$ 72,554	\$ 685,152
BASE LOADS (MWHs)													
ORDER Retail Loads (Pre-Selection, COS)	1,757,134	1,578,741	1,406,894	1,406,894	1,400,775	1,371,414	1,512,745	1,522,250	1,387,593	1,461,058	1,579,438	1,756,670	18,314,159
Opt-Outs to ORDER Retail Loads	(76,412)	(69,215)	(70,978)	(68,838)	(73,836)	(74,111)	(78,392)	(77,787)	(72,879)	(72,616)	(70,551)	(71,103)	(876,807)
BASE LOADS (Retail, Post-Selection, COS)	1,680,722	1,509,527	1,508,467	1,338,057	1,326,939	1,297,303	1,434,353	1,444,463	1,314,714	1,388,442	1,508,887	1,685,567	17,437,352
BASE UNIT NVPC	\$ 42.92	\$ 41.63	\$ 41.98	\$ 32.71	\$ 35.94	\$ 33.39	\$ 37.05	\$ 38.25	\$ 38.77	\$ 39.39	\$ 42.50	\$ 43.04	\$ 39.29

	Actuals												
ACTUAL / FORECAST													
Actual / Forecast NVPC (no Other Rev)	\$ 82,532	\$ 59,386	\$ 59,921	\$ 49,798	\$ 43,684	\$ 47,082	\$ 55,192	\$ 57,824	\$ 43,030	\$ 50,197	\$ 56,419	\$ 77,242	\$ 682,227
EXCLUDE:													
FAS 13371 - MTW/Deferral	5,020	\$ -	(451)	(73)	(63)	(149)	532	(149)	(239)	(217)	85	82	4,378
Credit Reserve - Expense	(4,837)	71	(32)	79	57	142	(584)	139	233	89	(91)	(6)	(4,742)
Costs/Revenues unrelaid to period booked	(96)	(279)	-	-	-	1,440	-	-	1,499	57	158	(2,200)	579
PCAM 2008	-	-	-	-	-	6,579	(4,595)	(4,595)	(12,835)	-	-	-	-
Biglow 1 royalty costs in UE 188 - N24254	31	100	80	137	(15)	118	179	84	55	(40)	41	57	827
Green Power expenses in N11115 from JMS45D	494	453	414	404	361	359	364	374	377	357	382	551	4,884
Subtotal Exclusions	611	345	11	547	340	8,483	11,343	(4,147)	(10,910)	245	575	(1,517)	5,925
INCLUDE:													
Coyote Steam Sales-M34189	(96)	(147)	(120)	(161)	(157)	(134)	(241)	(192)	(295)	(195)	(191)	(167)	(2,097)
Add Gas Resale Margin - M34183	(495)	62	(360)	(66)	(284)	(481)	229	314	(35)	29	147	(962)	(1,902)
Add Oil Sales - Revenue - M34187-ended Aug08	-	-	(141)	(1,976)	(2,124)	(5,772)	(3,628)	(1,524)	-	-	-	-	(15,165)
Add Biglow availability credit - N64411	-	-	-	-	-	-	-	-	-	-	-	-	(486)
Energy Revenues from VPO customers	(578)	(414)	(364)	(374)	(1,051)	(999)	(1,796)	(1,193)	(827)	(593)	(479)	(1,024)	(9,694)
Subtotal Inclusions	(1,170)	(500)	(965)	(2,577)	(3,616)	(7,386)	(5,436)	(2,595)	(1,158)	(759)	(523)	(2,639)	(29,344)
ACTUAL NVPC	\$ 80,751	\$ 56,541	\$ 56,924	\$ 46,674	\$ 39,728	\$ 31,193	\$ 39,954	\$ 59,376	\$ 52,783	\$ 49,192	\$ 55,321	\$ 76,120	\$ 646,958
ACTUAL/FCST LOADS (Retail-COS-Calendar)	1,737,489	1,470,078	1,500,814	1,392,498	1,382,978	1,295,647	1,400,525	1,413,401	1,300,561	1,350,018	1,371,765	1,707,678	17,273,461
ACTUAL UNIT NVPC	\$ 46.48	\$ 39.82	\$ 39.26	\$ 33.52	\$ 29.80	\$ 24.08	\$ 27.39	\$ 42.01	\$ 40.58	\$ 36.44	\$ 40.33	\$ 44.58	\$ 37.45

	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
UNIT NVPC VARIANCE	\$ 46.48	\$ 39.82	\$ 39.26	\$ 33.52	\$ 29.80	\$ 24.08	\$ 27.39	\$ 42.01	\$ 40.58	\$ 36.44	\$ 40.33	\$ 44.58	\$ 37.45
ACTUAL UNIT NVPC	\$ 42.92	\$ 41.63	\$ 41.98	\$ 32.71	\$ 35.94	\$ 33.39	\$ 37.05	\$ 38.25	\$ 38.77	\$ 39.39	\$ 42.50	\$ 43.04	\$ 39.29
BASE UNIT NVPC	\$ 3.55	\$ (1.61)	\$ (2.72)	\$ 0.81	\$ (7.13)	\$ (9.31)	\$ (9.66)	\$ 3.76	\$ 1.81	\$ (2.95)	\$ (2.17)	\$ 1.53	\$ (1.84)
ACTUALS ABOVE (BELOW) BASE UNIT NVPC													
ANNUAL VARIANCE (AV)	\$ 6,171	\$ (2,665)	\$ (4,083)	\$ 1,124	\$ (9,509)	\$ (12,064)	\$ (13,535)	\$ 5,308	\$ 2,358	\$ (3,987)	\$ (2,973)	\$ 2,614	\$ (31,755)
ACTUALS ABOVE (BELOW) BASE													
Positive Deadband - Actuals ABOVE Base													\$ 27,635
Negative Deadband - Actuals BELOW Base													\$ (19,818)
Variance at 100%													\$ (17,937)
ANNUAL POWER COST VARIANCE (PCV) = (ANNUAL VARIANCE - DEADBAND) X 90%													\$ (16,144)

UNIT NVPC VARIANCE X ACTUAL LOADS
POSITIVE (NEGATIVE) PCV = ACTUALS ABOVE (BELOW) POWER COST DEADBANDS

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Regulatory adjustments based on Docket UE-180, Order 07-015.	Actual Financial Statements	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	Type II Adjustments	Pro Forma Results
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues							
Sales to Consumers	1,507,953	33,630	1,541,583	0	1,541,583	13,668	1,555,251
Sales for Resale	194,916	(194,916)	0	0	0	0	0
Other Operating Revenues	42,344	(19,163)	23,181	0	23,181	0	23,181
Total Operating Revenues	1,745,213	(180,450)	1,564,763	0	1,564,763	13,668	1,578,431
Operation & Maintenance							
Net Variable Power Cost	876,942	(214,658)	662,284	16	662,300	43,051	705,351
Total Fixed O&M	169,634	0	169,634	0	169,634	3,720	173,354
Other O&M	190,634	2,361	192,995	(16,084)	176,911	3,434	180,345
Total Operation & Maintenance	1,237,210	(212,297)	1,024,913	(16,068)	1,008,845	50,205	1,059,049
Depreciation & Amortization	207,503	0	207,503	0	207,503	937	208,440
Other Taxes / Franchise Fee	83,410	0	83,410	0	83,410	589	83,999
Income Taxes	38,817	20,581	59,398	6,324	65,722	(16,290)	49,432
Total Oper. Expenses & Taxes	1,566,940	(191,717)	1,375,223	(9,744)	1,365,479	35,441	1,400,920
Utility Operating Income	178,273	11,267	189,540	9,744	199,284	(21,773)	177,511
Rate of Return	7.49%		7.95%		8.37%		7.13%
Return on Equity	8.46%		9.38%		10.19%		7.77%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	4,959,690	0	4,959,690	(337)	4,959,353	92,690	5,052,043
Accumulated Depreciation	2,522,903	0	2,522,903	0	2,522,903	55,120	2,578,023
Accumulated Def. Income Taxes	214,848	0	214,848	66	214,914	25,446	240,360
Accumulated Def. Inv. Tax Credit	907	0	907	0	907	(427)	480
Net Utility Plant	2,221,032	0	2,221,032	(403)	2,220,629	12,551	2,233,180
Net Trojan Investment	0	0	0	0	0	0	0
Weatherization Investment	1	0	1	0	1	(1)	0
Deferred Programs & Investments	6,608	0	6,608	169	6,777	(479)	6,298
Operating Materials & Fuel	66,494	0	66,494	0	66,494	4,605	71,099
Misc. Deferred Credits	16,074	0	16,074	0	16,074	89,110	105,184
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	71,527	1,163	72,690	(507)	72,183	693	72,876
Total Average Rate Base	2,381,736	1,163	2,382,899	(741)	2,382,158	106,479	2,488,637

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

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Regulatory adjustments based on Docket UE-180, Order 07-015.	Actual Financial Statements	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	2008 PCAM Accrual	Adjusted Results with PCAM
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues							
Sales to Consumers	1,507,953	33,630	1,541,583	0	1,541,583	0	1,541,583
Sales for Resale	194,916	(194,916)	0	0	0	0	0
Other Operating Revenues	42,344	(19,163)	23,181	0	23,181	0	23,181
Total Operating Revenues	1,745,213	(180,450)	1,564,763	0	1,564,763	0	1,564,763
Operation & Maintenance							
Net Variable Power Cost	876,942	(214,658)	662,284	16	662,300	0	662,300
Total Fixed O&M	169,634	0	169,634	0	169,634	0	169,634
Other O&M	190,634	2,361	192,995	(16,084)	176,911	0	176,911
Total Operation & Maintenance	1,237,210	(212,297)	1,024,913	(16,068)	1,008,845	0	1,008,845
Depreciation & Amortization	207,503	0	207,503	0	207,503	0	207,503
Other Taxes / Franchise Fee	83,410	0	83,410	0	83,410	0	83,410
Income Taxes	38,817	20,581	59,398	6,324	65,722	0	65,722
Total Oper. Expenses & Taxes	1,566,940	(191,717)	1,375,223	(9,744)	1,365,479	0	1,365,479
Utility Operating Income	178,273	11,267	189,540	9,744	199,284	(0)	199,284
Rate of Return	7.49%		7.95%		8.37%		8.37%
Return on Equity	8.46%		9.38%		10.19%		10.19%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	4,959,690	0	4,959,690	(337)	4,959,353	0	4,959,353
Accumulated Depreciation	2,522,903	0	2,522,903	0	2,522,903	0	2,522,903
Accumulated Def. Income Taxes	214,848	0	214,848	66	214,914	0	214,914
Accumulated Def. Inv. Tax Credit	907	0	907	0	907	0	907
Net Utility Plant	2,221,032	0	2,221,032	(403)	2,220,629	0	2,220,629
Net Trojan Investment	0	0	0	0	0	0	0
Weatherization Investment	1	0	1	0	1	0	1
Deferred Programs & Investments	6,608	0	6,608	169	6,777	0	6,777
Operating Materials & Fuel	66,494	0	66,494	0	66,494	0	66,494
Misc. Deferred Credits	16,074	0	16,074	0	16,074	0	16,074
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	71,527	1,163	72,690	(507)	72,183	0	72,183
Total Average Rate Base	2,381,736	1,163	2,382,899	(741)	2,382,158	0	2,382,158