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email address: lcable@chbh.com

September 22, 2004

**VIA ELECTRONIC MAIL/  
HAND DELIVERY**

Ms. Cheryl Walker  
Oregon Public Utility Commission  
550 Capitol St. NE, Suite 215  
PO Box 2148  
Salem, OR 97308-2148

Re: UM-1121 – Oregon Electric Utility Company, LLC  
Surrebuttal Testimony of Kenneth D. Beeson

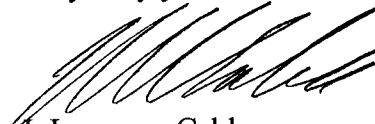
Dear Ms. Walker:

Enclosed for filing in the above-referenced docket are the original and five copies of the Surrebuttal Testimony of Kenneth D. Beeson on behalf of the Eugene Water & Electric Board.

Please date stamp the extra copy of the letter and return it in the self-addressed envelope provided.

Thank you for your assistance in this matter. Should you have any questions regarding this matter, please feel free to contact me. Thank you.

Very truly yours,



J. Laurence Cable

JLC/tr

cc: UM 1121 Service List (via email)

1 **BEFORE THE**  
2 **PUBLIC UTILITY COMMISSION OF OREGON**  
3 **UM 1121**  
4 **SURREBUTTAL TESTIMONY OF KEN BEESON**  
5 **ON BEHALF OF THE EUGENE WATER & ELECTRIC BOARD**  
6 **AND**  
7 **THE BONNEVILLE POWER ADMINISTRATION**

8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Ken Beeson, and I am the Energy Resource Projects Manager for the Eugene  
10 Water & Electric Board (“EWEB”). My business address is 500 East 4<sup>th</sup> Avenue,  
11 Eugene, Oregon.

12 **Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.**

13 A. My Statement of Qualifications and Experience is attached to my Direct Testimony as  
14 exhibit EWEB/101.

15 **Q. WHAT SPECIFIC STATEMENT ARE YOU REBUTTING?**

16 A. I am rebutting Mr. Piro’s assertion that EWEB is seeking “greater rights than it now has  
17 under the Ownership Agreement in the guise of imposing special financial conditions on  
18 this transaction for the benefit of EWEB.” PGE/1100 Piro at 31.

19 **Q. IS EWEB SEEKING GREATER RIGHTS IN THIS PROCEEDING THAN IT**  
20 **NOW HAS UNDER THE TROJAN OWNERSHIP AGREEMENT?**

21 A. No. EWEB is seeking to protect its existing rights and interests as a co-owner of Trojan.  
22 EWEB has the right, and arguably the obligation, to ensure that PGE as the majority  
23 owner of Trojan maintains the financial ability to pay its share of all expected and  
24 unexpected Trojan decommissioning expenses. For Mr. Piro to try to make light of  
25 EWEB’s concerns in this proceeding also misses the fundamental public interest aspect  
26 of PGE’s Trojan obligations. Nothing involving PGE is more important to the public

1 interest than ensuring that it is financially sound and able to meet its obligations to  
2 successfully decommission Trojan. Debates over short-term rate concessions should pale  
3 in comparison to the importance of this Commission exercising its regulatory authority  
4 over PGE in a manner that ensures that PGE's ability to meet its critically important  
5 obligations toward decommissioning Trojan are not weakened by the Texas Pacific  
6 Group ("TPG") acquisition. PGE ratepayers, and all Oregonians, will be negatively  
7 impacted if PGE's future financial health is jeopardized by this acquisition and thus its  
8 ability to complete the task of safely decommissioning Trojan is harmed.

9 **Q. MR. PIRO ASSERTS THAT NOTHING IN THIS TRANSACTION IMPLICATES**  
10 **PGE'S ABILITY TO MEET ITS TROJAN OBLIGATION. DO YOU CONCUR**  
11 **WITH HIS ASSERTION?**

12 A. No. I set forth in my direct testimony specific concerns regarding the terms of the  
13 proposed acquisition that will negatively impact the amount of funds available to PGE to  
14 meet unexpected financial obligations associated with Trojan. Mr. Piro has not disputed  
15 the fact that the TPG acquisition of PGE is highly leveraged. He has not disputed that  
16 \$240 million in cash which currently is available to PGE to meet an unexpected  
17 obligation at Trojan is being used to fund the purchase price through a dividend payment  
18 to Oregon Electric Utility Company, LLC ("OEUC"). It belies common sense for Mr.  
19 Piro to assert that EWEB has no reason to voice concern when EWEB's business partner  
20 in the decommissioning of a nuclear plant today has \$240 million in cash on hand, but  
21 after the acquisition will have only \$10 million in cash. The revolving credit OEUC  
22 proposes to replace the cash reserves does not restore PGE to the financial condition it is  
23 in prior to the proposed acquisition. Other than verbal assurances and assertions made by  
24 PGE witnesses, I have seen nothing of substance offered by the proponents of this  
25 acquisition that provides any protection for PGE's business partners in the Trojan

1 facilities that PGE's ability to meet any and all uncertainties regarding decommissioning  
2 Trojan will be unaffected by the acquisition.

3 **Q. PGE HAS MANY CONTRACTUAL OBLIGATIONS TO OTHER ENTITIES**  
4 **AND MANY OTHER REGULATORY UNCERTAINTIES. WHY SHOULD THIS**  
5 **COMMISSION CONCERN ITSELF WITH THE TROJAN OBLIGATIONS AS**  
6 **PART OF ACTING ON THIS ACQUISITION?**

7 A. EWEB views the obligations to decommission Trojan as creating unique risks for PGE  
8 because of the inherent uncertainties in both the size of the decommissioning obligations  
9 and the time frame over which those financial obligations may be incurred. Trojan  
10 decommissioning obligations are very different than more ordinary financial risks facing  
11 an electric utility, such as fluctuating power costs or acquiring new resources. Trojan  
12 hasn't generated electricity for over ten years, yet the financial obligations may linger for  
13 decades. While PGE has established a decommissioning trust fund and the Nuclear  
14 Regulatory Commission ("NRC") and the OPUC impose reporting requirements and  
15 regulatory oversight regarding the decommissioning trust fund, it cannot be determined  
16 with any degree of certainty today how much will have to be spent or how long it will be  
17 before the task of decommissioning Trojan is complete. Trojan has also been a highly  
18 controversial generating resource since it was first built, so any decisions regarding  
19 Trojan's decommissioning can be expected to be subject to a great deal of public scrutiny  
20 and possible litigation.

21 **Q. THE OPUC HAS ALREADY ESTABLISHED A DECOMMISSIONING FUND**  
22 **TO ADDRESS HOW MUCH PGE RATEPAYERS WILL PAY TO**  
23 **DECOMMISSION TROJAN. WHY SHOULD IT ACT IN THIS PROCEEDING**  
24 **AS WELL TO ADDRESS TROJAN LIABILITIES?**

25 A. EWEB recognizes that the OPUC acted in Order No. 95-322 to establish a  
26 decommissioning fund to provide PGE with a source of ratepayer revenue to pay Trojan

1 decommission costs. That ratepayer surcharge mechanism has been in place since 1995,  
2 and is currently scheduled to terminate in 2011. Since the OPUC can not state  
3 definitively today how it will address any remaining costs after 2011, the OPUC must act  
4 on this acquisition in a manner that is consistent with PGE being a financially sound  
5 entity that can meet all of its Trojan decommissioning obligations whether incurred prior  
6 to 2011 or after that date.

7 **Q. HOW COULD THE COMMISSON ADDRESS EWEB'S CONCERNS WITH**  
8 **TROJAN AND STILL APPROVE OEUC PROPOSED ACQUISITION?**

9 A. In my opinion the responsible course of action is for the OPUC to impose discrete Trojan  
10 decommissioning related conditions on the acquisition. The purpose of any conditions  
11 would be to ensure that PGE's ability to meet its Trojan decommissioning obligations are  
12 not weakened in any way by the OEUC acquisition. EWEB understands that the  
13 acquisition cannot be used to improve PGE's financial ability to meet its Trojan  
14 obligation. The conditions suggested by EWEB will simply ensure that PGE's financial  
15 ability to meet its Trojan decommissioning obligations is not weakened by the  
16 acquisition.

17 As a condition of the acquisition, the OPUC should require PGE to maintain at  
18 current coverage levels all existing liability insurance policies relating to the Trojan  
19 Nuclear Facility and the Trojan independent spent fuel storage installation. PGE should  
20 be required to procure the same or equivalent liability insurance coverage upon expiration  
21 of any existing liability insurance policy. This condition should remain in effect until  
22 such time as: (a) PGE obtains the following senior secured bond ratings: (i) Standard &  
23 Poor's – A, (ii) Moody's – A2, and (iii) Fitch – A; or (b) all spent nuclear fuel has been  
24 permanently removed from the Trojan Nuclear Facility site; or (c) the OPUC and the  
25 Trojan co-owners agree that any proposed reduction in insurance liability coverage would  
26 be reasonable and in the public interest.

1 PGE should also be required to procure and maintain a fidelity bond, letter of  
2 credit, insurance policy or other credit support instrument in a reasonable amount to be  
3 determined by PGE and approved by the OPUC and the Trojan co-owners that would  
4 provide for the payment of any expenses associated with PGE's ownership interest in the  
5 Trojan Nuclear Facility and the Trojan independent spent fuel storage installation that are  
6 not paid by either funds available in the Decommissioning Trust Fund established by  
7 OPUC Order 95-322 or other sources of funds available to PGE. This condition should  
8 remain in effect until such time as (a) PGE obtains the following senior secured bond  
9 ratings: (i) Standard & Poor's – A, (ii) Moody's – A2, and (iii) Fitch – A; or (b) all spent  
10 nuclear fuel is permanently removed from the Trojan Nuclear Facility site; or (c) the  
11 OPUC and the Trojan co-owners agree that discontinuance of any such fidelity bond or  
12 insurance would be reasonable and in the public interest.

13 PGE should provide written notification to the OPUC and the Trojan co-owners  
14 upon the occurrence of any actual or probable event or change in circumstances that  
15 either: (a) significantly increases PGE's financial obligations associated with PGE's  
16 ownership interest in the Trojan Nuclear Facility and the Trojan independent spent fuel  
17 storage installation, or; (b) significantly increases the probability that PGE will not satisfy  
18 such current or reasonably estimated financial obligation on a timely basis.

19 **Q. IF THESE CONDITIONS WERE IMPOSED ON THE ACQUISITION, WOULD**  
20 **EWEB SUPPORT THE OEUC FILING?**

21 A. EWEB neither supports nor opposes OEUC's application to acquire PGE. There are  
22 many concerns other than meeting Trojan obligations that this Commission must address  
23 in making its final decision. If the conditions I have set out above are imposed, however,  
24 then EWEB feels that PGE's financial ability to meet its Trojan decommissioning  
25 obligations would not be negatively impacted by approving the OEUC acquisition.

26 Without the conditions, however, it is EWEB's position that the OEUC

1 acquisition as now proposed could weaken PGE's ability to meet its financial obligations  
2 to safely decommission Trojan. Thus, without the conditions, EWEB's interest as a co-  
3 owner of Trojan, as well as the public interest, will be negatively impacted by the  
4 acquisition.

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 A. Yes.

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