

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

**UM 1224  
2005 Tax Deferral**

**PORTLAND GENERAL ELECTRIC COMPANY  
&  
OREGON PUBLIC UTILITY COMMISSION**

**Rebuttal Testimony**

**March 27, 2008**

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**2005 Tax Deferral**

**PORTLAND GENERAL ELECTRIC COMPANY  
&  
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**Rebuttal Testimony of**

***Patrick G. Hager –Bob Tamlyn –Jay Tinker***

**March 27, 2008**

## I. Introduction

1 **Q. Please state your names and positions with Portland General Electric.**

2 A. My name is Patrick G. Hager. I am the manager of Regulatory Affairs for PGE.

3 My name is Bob Tamlyn. I am the Tax Director for PGE.

4 My name is Jay Tinker. I am a Project Manager for PGE. My areas of responsibility  
5 include revenue requirement analyses and other regulatory analyses.

6 Our qualifications appear in PGE Exhibit 100.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of our testimony is to respond to OPUC Staff's response testimony in Staff  
9 Exhibit 100.

10 **Q. What is Staff's conclusion?**

11 A. Staff ultimately concludes that the Commission should not require PGE to amortize the  
12 deferred amount due to the outcome of PGE's earnings test (Staff/100, Owings/1).

13 **Q. Do you agree with Staff's overall conclusion regarding the earnings test?**

14 A. Yes. We agree that PGE's earnings are prohibitively low during the earnings test period and  
15 that, as a result, any deferred amount should not be amortized.

16 **Q. Did Staff make any adjustments?**

17 A. Staff made two adjustments: one to the manner in which PGE calculated the deferred  
18 amount and the other to PGE's proposed earnings test. In addressing one of the three  
19 alternatives PGE presented for calculating the deferred amount, Staff excluded the entire  
20 \$1.6 million difference between taxes paid and taxes collected regarding the deferred  
21 amount for Multnomah County income tax (Staff/100, Owings/3). PGE had removed only  
22 the \$1.2 million taxes collected amount. As a result, the deferral is reduced from \$26.6

1 million to \$26.5 million. Second, Staff removed PGE’s SB 408 rate provision of \$30.5  
2 million that was booked in the first nine months of 2006, then adding back the entire amount  
3 to revenue to represent a conservative view of PGE’s revenues for the earnings test  
4 (Staff/100, Owings/7).

5 **Q. Do you agree with Staff’s adjustment of the deferred amount to remove the entire**  
6 **difference between Multnomah County taxes paid and taxes collected?**

7 A. Yes, although the impact on the deferred amount is immaterial because the subsequent  
8 reduction related to this adjustment is approximately \$0.1 million.

9 **Q. Do you agree with Staff’s adjustment to the earnings test to remove PGE’s accrued**  
10 **SB 408 refund during the earnings test period?**

11 A. No. While Staff still concludes that earnings are too low during the earnings period, we  
12 believe any accrued SB 408 amounts legitimately belong in the earnings test as they  
13 represent PGE’s application of the SB 408 rules to the period. The \$30.5 million accrual for  
14 the refund appropriately reduces PGE’s earnings because it represents an amount that will be  
15 returned to customers. Removing this accrual assumes that these revenues are available to  
16 PGE’s shareholders. They are not.

17 **Q. Does Staff address all three alternatives presented by PGE for calculating the deferred**  
18 **amount?**

19 A. No. Staff’s testimony only addressed one option, which was the alternative that was  
20 unadjusted for SB 408 impacts.

21 **Q. Does PGE still support the two alternatives Staff did not address?**

1 A. Yes. We continue to believe that the alternative methods for calculating the deferred  
2 amount, which result in deferred amounts of zero and \$20.9 million, are superior approaches  
3 to the method Staff addressed.

4 **Q. However, Staff still concludes that earnings are too low to warrant amortization. Does**  
5 **PGE believe this adjustment is still important?**

6 A. Yes. Whether SB 408 accruals should be included or excluded from the earnings test could  
7 impact future earnings tests, such as those related to PGE's PCAM. Therefore, we believe it  
8 is important to establish a reasonable precedent. SB 408 accruals represent the application  
9 of SB 408 during the period and have a direct impact on a utility's earning and thus they  
10 should be included in earnings tests.

11 **Q. What ROE should the Commission determine PGE earned during the earnings test**  
12 **period?**

13 A. The Commission should determine that PGE's earned ROE, before amortization of any  
14 deferred amount in this docket, is no greater than 5.11% based on PGE's direct testimony  
15 (PGE/100, Hager/Tamlyn/Tinker/14) and assuming full recovery of PGE's Boardman  
16 deferral.

17 **Q. What should happen to the deferred amount in this docket?**

18 A. The Commission should determine based on the testimony of PGE and Staff, that PGE's  
19 earnings are prohibitively low to warrant amortization in this docket.

20 **Q. Does this conclude your testimony?**

21 A. Yes.



**Portland General Electric Company**  
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March 27, 2008

*Via Electronic Filing and U.S. Mail*

Oregon Public Utility Commission  
Attention: Filing Center  
550 Capitol Street NE, #215  
Salem OR 97308-2148

**Re: UM 1224**

Attention Filing Center:

Enclosed for filing in the captioned docket are an original and five copies of:

- **Rebuttal Testimony of Patrick Hager, Bob Tamlyn, and Jay Tinker (2005 Tax Deferral - PGE/200)**

This document is being filed by electronic mail with the Filing Center. An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided.

These documents are being served upon the UM 1224 service list.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick G. Hager", is written over a printed name and title.

Patrick G. Hager  
Manager, Regulatory Affairs

PGH:bmm  
Enclosures  
cc: Service List-UM 1224

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused the foregoing **REBUTTAL TESTIMONY OF PATRICK HAGER, BOB TAMLYN, AND JAY TINKER (2005 TAX DEFERRAL – PGE/200)** 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 No. UM 1224.

Dated at Portland, Oregon, this 27<sup>th</sup> day of March 2008.

  
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PATRICK G. HAGER

**SERVICE LIST**

OPUC DOCKET # UM 1224

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