



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

September 3, 2009

Via Electronic Filing and U.S. Mail

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

Re: UE 209 – Renewable Adjustment Clause

Attention Filing Center:

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

- **Joint Testimony and Exhibits of Carla Owings, Randall J. Falkenberg, Bob Jenks, Jim Whitty, and Patrick G. Hager in support of the Stipulation filed on 18 August 2009.**

Also enclosed are an original and three copies of:

- **Work Papers.**

Included are confidential and non-confidential portions. The confidential portions are subject to Protective Order No. 09-138 and therefore not to be posted on the OPUC website.

An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided. Thank you in advance for your assistance.

Sincerely,


A handwritten signature in black ink, appearing to read "Patrick G. Hager". The signature is written in a cursive, flowing style.

Patrick G. Hager
Manager, Regulatory Affairs

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **STAFF-ICNU-CUB-ODOT-PGE UE 209, JOINT TESTIMONY** 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. UE 209.

Dated at Portland, Oregon, this 3rd day of September 2009.



Patrick G. Hager
On behalf of Portland General Electric Company

eDockets

Docket Summary

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Docket No: UE 209 **Docket Name:** PORTLAND GENERAL ELECTRIC- SCHEDULE 122 UPDATE RAC CLAUSE

[Print Summary](#)

Subject Company: PORTLAND GENERAL ELECTRIC

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Schedule 122 Update to Renewable Resources Automatic Adjustment Clause Electronically filed by Randall J. Dahlgren. Hard copy rec'd 4/2/09. (See Initial Utility Filing for elec version.)

Filing Date: 4/1/2009

Advice No: 09-06

Effective: 1/1/2010

Expiration:

Status: PENDING

Case Manager: JUDY JOHNSON

Phone: (503) 378-6636

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Law Judge: SARAH WALLACE

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[General information about Tariff](#)

ACTIONS		SERVICE LIST (Parties)	SCHEDULE
W=Waive Paper service	C=Confidential HC=Highly Confidential	Sort by Last Name	Sort by Company Name
W	CITIZEN'S UTILITY BOARD OF OREGON		
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**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 209

Renewable Adjustment Clause

for

Biglow Canyon Phase 2, SunWay 1, and SunWay 2

Staff-ICNU-CUB-ODOT-PGE



Portland General Electric

September 3, 2009

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

Joint Testimony

Staff-ICNU-CUB-ODOT-PGE

Carla M. Owings
Randall J. Falkenberg
Bob Jenks
Jim Whitty
Patrick G. Hager

September 3, 2009

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I. Introduction

1 **Q. Please state your names and positions?**

2 A. My name is Carla Owings. I am a Senior Revenue Requirement analyst employed by the
3 Oregon Public Utility Commission. My qualifications are provided in Exhibit 101.

4 My name is Randy Falkenberg. I am a consultant working for the Industrial Customers
5 of Northwest Utilities (ICNU) in this matter. My qualifications are provided in Exhibit 102.

6 My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board
7 (CUB). My qualifications are provided in Exhibit 103.

8 My name is Jim Whitty. I am the Manager of the Oregon Department of
9 Transportation's (ODOT) Office of Innovative Partnerships and Alternative Funding. My
10 qualifications appear at the end of this testimony.

11 My name is Patrick G. Hager. I am the Manager of Regulatory Affairs at PGE. My
12 qualifications appear at the end of this testimony.

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

14 A. The purpose of our testimony is to describe and support a stipulation ("Stipulation")
15 between Staff, ICNU, CUB, ODOT, and PGE (the "Parties") filed simultaneously with this
16 testimony that addresses the issues raised in dockets UE 209 and UM 1407. PGE requested
17 in its opening testimony in UE 209 that the two dockets (UE 209 and UM 1407) be
18 consolidated. The Stipulation resolves all issues identified by the Parties in both dockets
19 and, therefore, if approved by the Commission, would conclude this proceeding with the
20 exception of the December 1st update related to Biglow Canyon Phase 2 pursuant to the
21 Renewable Adjustment Clause (RAC) tariff.

1 **Q. Please summarize the agreement contained in the Stipulation.**

2 A. The Stipulation resolves identified issues regarding the calculation of revenue requirements
3 for the 2008/2009 deferral period for the two solar projects, SunWay 1 and SunWay 2, and
4 Phase 2 of the Biglow Canyon wind farm (Biglow Phase 2) as well as the 2010 test period
5 for all three projects. The Parties agree to principles regarding the comparability of the costs
6 of future solar projects to the costs of other renewable resources. The Parties also agree that
7 the December 1st update is only necessary for Biglow Canyon Phase 2 since all costs related
8 to SunWay 1 and SunWay 2 have been finalized and addressed during the review period in
9 this docket. A copy of the Stipulation is attached as Exhibit 104. Table 1 below identifies
10 the key issues resolved by the Stipulation.

Table 1
UE 209 Stipulations

<u>Item</u>	<u>Description</u>
(1)	Third-Party Financing
(2)	Calculation of Revenue Requirements using 10.0% ROE
(3)	SunWay 1 Adjustment
(4)	Schedule 122 - December 1 update for Biglow Phase 2
(5)	Comparability standard for future solar resources

11 **Q. Please describe Item (1) of the agreement: the use of third-party funds as an offset to**
12 **investment basis.**

13 A. In its original filing, PGE proposed a third-party financing construct that contemplated an
14 impairment of the asset due to the consolidation of financial statements as required by
15 GAAP. The consolidation resulted in losses on PGE's consolidated financial statements
16 during the first five years. The impairment was based on an estimated future value of

1 SunWay 1 and SunWay 2, which could potentially under- or over-state the value of the
2 resource at the time the majority ownership transfers to PGE (after approximately five
3 years). To address this concern, PGE has agreed to apply the funding provided by the
4 Energy Trust of Oregon as well as a contribution from the Clean Wind Fund as an offset to
5 the capital cost basis of PGE's plant investment. Parties agree that this is an appropriate
6 resolution of this issue because the impact of the impairment on revenue requirements is
7 significantly reduced, which benefits PGE's customers. Parties further agree that this is the
8 appropriate accounting treatment of third-party contributions and is generally appropriate for
9 future renewable projects.

10 **Q. Please describe item (2) of the agreement: Calculation of revenue requirement using a**
11 **10.0% ROE.**

12 A. In its original filing, PGE proposed to use 10.1% ROE for the 2010 test year revenue
13 requirements and to subsequently defer the difference between 10.1% ROE and 10.0% ROE.
14 Staff believes that Commission Order No. 09-020 (see Docket UE 197) requires PGE to
15 calculate revenue requirement using a 10.0% ROE after January 22, 2009, the date the
16 Commission Order was adopted. PGE believes that Commission Order No. 09-020 allows
17 PGE to calculate revenue requirement using the 10.1% ROE as long as it defers the
18 difference between 10.1% ROE and 10.0% ROE. The Parties agree that, for purposes of
19 settlement, PGE will use a 10.0% ROE to calculate revenue requirement for both the
20 deferral period and 2010 test year.

21 **Q. Please describe item (3) of the agreement: Adjustment to SunWay 1 revenue**
22 **requirement.**

1 A. During workshops and settlement discussions, Parties discussed the level of PGE's revenue
2 requirement for the SunWay 1 solar project compared to the costs of market power. Parties
3 have agreed that a \$14,000 reduction to the 2010 test year revenue requirement is
4 appropriate as an offset for the present value of above-market costs of SunWay 1 that create
5 any increased revenue requirement over the life of the project.

6 **Q. What are the final revenue requirements for each project after making the**
7 **adjustments discussed in Items (2) and (3) of the agreement?**

8 A. PGE's original request can be found in PGE Exhibit 201. Exhibit 105 is a stipulated
9 revision to PGE's original Exhibit 201. Table 2 below incorporates the adjustments
10 discussed in items (2) and (3) of the agreement and summarizes the resulting revenue
11 requirements.

12 **Table 2**
UE 209 Revenue Requirements
(Dollars in 000s)

<u>Project</u>	<u>2008 / 2009</u> <u>Deferral</u>	<u>2010 Test</u> <u>Year</u>
SunWay 1	\$19	\$7
SunWay 2	\$88	\$88
Biglow Phase 2	\$5,584	\$34,634

13 **Q. Please describe item (4) of the agreement: the December 1 update set forth in Schedule**
14 **122.**

15 A. Because costs for SunWay 1 and SunWay 2 have already closed-to-book and are finalized,
16 the current stipulated revenue requirement already reflects actual costs. Therefore, the
17 Parties agree that a December 1 update for these projects is not necessary. However, for
18 Biglow Phase 2, the revenue requirement is based upon an overall budget amount of \$325.4
19 million, which includes approximately \$10 million of contingency costs. The Parties agree
20 that PGE will update the revenue requirement for Biglow Phase 2 by December 1, 2009.

1 Consistent with Schedule 122, PGE will provide all actual costs to the extent possible,
2 substituting projections only if necessary. To the extent the updated revenue requirement is
3 lower than the revenue requirement included in Exhibit 105, PGE will provide information
4 in support of the reduction. In the event that the revenue requirement for Biglow Phase 2 is
5 higher than what is projected in Table 2 above (see also Exhibit 105), PGE may file a
6 request to defer the differences between the current projected costs and actual costs.

7 **Q. Please describe the final area of agreement: the standard for future solar projects.**

8 A. During workshops and settlement discussions, Parties addressed concerns regarding the
9 above-market costs of solar projects relative to other renewable resources. The Parties agree
10 that PGE should attempt to minimize the cost to customers of complying with both the
11 Renewable Portfolio Standard and the Solar Photovoltaic Capacity Standard. Except as
12 required to meet the Solar Photovoltaic Capacity Standard, the costs to customers of any
13 new solar resources acquired to meet the Renewable Portfolio Standard must be
14 economically justifiable as compared to the costs of other qualifying renewable resources
15 available at the time. Once PGE has met both the Solar Photovoltaic Capacity Standard and
16 the Renewable Portfolio Standard, the costs to customers of any additional solar resources
17 must be at or below the risk-adjusted market value of the delivered energy at the time the
18 decision to invest was made.

19 **Q. What do the Parties request of the Commission?**

20 A. The Parties respectfully request that the Commission issue an Order approving the
21 Stipulation in this proceeding finding that it is in the public interest and provides for a
22 reasonable resolution of the issues identified by Parties in UE 209.

II. Qualifications

1 **Q. Mr. Whitty, please state your qualifications.**

2 A. I manage ODOT's Office of Innovative Partnerships and Alternative Funding. Housed
3 within this office is the Oregon Innovative Partnerships Program (OIPP), a statutorily
4 created alternative procurement process outside the regular government procurement process
5 contained in ORS chapter 279. Through this program, ODOT has the ability, with approval
6 of the Oregon Transportation Commission, to creatively procure the services of private
7 sector and public sector through innovative partnerships that could not be structured in a
8 helpful manner under the traditional procurement arrangements. Examples of such creative
9 procurements established through the OIPP include the solar highway initiative and the
10 electric vehicle charging station network initiative.

11 **Q. Mr. Hager, please state your educational background and experience.**

12 A. I received a Bachelor of Science degree in Economics from Santa Clara University in 1975
13 and a Master of Arts degree in Economics from the University of California at Davis in
14 1978. In 1995, I passed the examination for the Certified Rate of Return Analyst (CRRRA).
15 In 2000, I obtained the Chartered Financial Analyst (CFA) designation.

16 I have taught several introductory and intermediate classes in economics at the
17 University of California at Davis and at California State University Sacramento. In addition,
18 I taught intermediate finance classes at Portland State University. Between 1996 and 2004, I
19 served on the Board of Directors for the Society of Utility and Regulatory Financial
20 Analysts.

1 I have been employed at PGE since 1984, beginning as a business analyst. I have
2 worked in a variety of positions at PGE since 1984, including power supply. My current
3 position is Manager, Regulatory Affairs.

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

5 **A. Yes.**

List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
101	Witness Qualification Statement for Carla Owings
102	Witness Qualification Statement for Randy Falkenberg
103	Witness Qualification Statement for Bob Jenks
104	Stipulation in UE 209/UM 1407
105	Revised PGE Exhibit 201 (August 25, 2009)

WITNESS QUALIFICATION STATEMENT

NAME: Carla M. Owings
EMPLOYER: Public Utility Commission of Oregon
TITLE: Senior Utility Analyst/Revenue Requirement/Rates and Regulation
ADDRESS: 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2115.
EDUCATION: Professional Accounting Degree
Trend College of Business 1983

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

From September 1994 to April 2001, I worked for the Oregon Department of Revenue as a Senior Industrial/Utility Appraiser. I was responsible for the valuation of large industrial properties as well as utility companies throughout the State of Oregon. I have testified in behalf of the Public Utility Commission in Docket Nos. UE 177, UE 178, UG 170, UG 171, UE 180, UM 1234, UE 167, UE 180, UE 188, UM 1121, UM 1261 and UM 1271.

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

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

QUALIFICATIONS OF RANDALL J. FALKENBERG, PRESIDENT

EDUCATIONAL BACKGROUND

I received my Bachelor of Science degree with Honors in Physics and a minor in mathematics from Indiana University. I received a Master of Science degree in Physics from the University of Minnesota. My thesis research was in nuclear theory. At Minnesota I also did graduate work in engineering economics and econometrics. I have completed advanced study in power system reliability analysis.

PROFESSIONAL EXPERIENCE

After graduating from the University of Minnesota in 1977, I was employed by Minnesota Power as a Rate Engineer. I designed and coordinated the Company's first load research program. I also performed load studies used in cost-of-service studies and assisted in rate design activities.

In 1978, I accepted the position of Research Analyst in the Marketing and Rates department of Puget Sound Power and Light Company. In that position, I prepared the two-year sales and revenue forecasts used in the Company's budgeting activities and developed methods to perform both near- and long-term load forecasting studies.

In 1979, I accepted the position of Consultant in the Utility Rate Department of Ebasco Service Inc. In 1980, I was promoted to Senior Consultant in the Energy Management Services Department. At Ebasco I performed and assisted in numerous studies in the areas of cost of service, load research, and utility planning. In particular, I was involved in studies concerning analysis of excess capacity, evaluation of the planning activities of a major utility on behalf of its public service commission, development of a methodology for computing avoided costs and cogeneration rates, long-term electricity price forecasts, and cost allocation studies.

At Ebasco, I specialized in the development of computer models used to simulate utility production costs, system reliability, and load patterns. I was the principal author of production costing software used by eighteen utility clients and public service commissions for evaluation of marginal costs, avoided costs and production costing analysis. I assisted over a dozen utilities in the performance of marginal and avoided cost studies related to the PURPA of 1978. In this capacity, I worked with utility planners and rate specialists in quantifying the rate and cost impact of generation expansion alternatives. This activity included estimating carrying costs, O&M expenses, and capital cost estimates for future generation.

In 1982 I accepted the position of Senior Consultant with Energy Management Associates, Inc. and was promoted to Lead Consultant in June 1983. At EMA I trained and consulted with planners and financial analysts at several utilities in applications of the PROMOD and PROSCREEN planning models. I assisted planners in applications of these models to the preparation of studies evaluating the revenue requirements and financial impact of generation expansion alternatives, alternate load growth patterns and alternate regulatory treatments of new baseload generation. I also assisted in EMA's educational seminars where utility personnel were trained in aspects of production cost modeling and other modern techniques of generation planning.

I became a Principal in Kennedy and Associates in 1984. Since then I have performed numerous economic studies and analyses of the expansion plans of several utilities. I have testified on several occasions regarding plant cancellation, power system reliability, phase-in of new generating plants, and the proper rate treatment

QUALIFICATIONS OF RANDALL J. FALKENBERG, PRESIDENT

of new generating capacity. In addition, I have been involved in many projects over the past several years concerning the modeling of market prices in various regional power markets.

In January 2000, I founded RFI Consulting, Inc. whose practice is comparable to that of my former firm, J. Kennedy and Associates, Inc.

The testimony that I present is based on widely accepted industry standard techniques and methodologies, and unless otherwise noted relies upon information obtained in discovery or other publicly available information sources of the type frequently cited and relied upon by electric utility industry experts. All of the analyses that I perform are consistent with my education, training and experience in the utility industry. Should the source of any information presented in my testimony be unclear to the reader, it will be provided it upon request by calling me at 770-379-0505.

PAPERS AND PRESENTATIONS

Mid-America Regulatory Commissioners Conference - June 1984: "Nuclear Plant Rate Shock - Is Phase-In the Answer"

Electric Consumers Resource Council - Annual Seminar, September 1986: "Rate Shock, Excess Capacity and Phase-in"

The Metallurgical Society - Annual Convention, February 1987: "The Impact of Electric Pricing Trends on the Aluminum Industry"

Public Utilities Fortnightly - "Future Electricity Supply Adequacy: The Sky Is Not Falling" What Others Think, January 5, 1989 Issue

Public Utilities Fortnightly - "PoolCo and Market Dominance", December 1995 Issue

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 308
Portland, OR 97205

EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, and UM 1209. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, Environment Oregon Research and Policy Center
Telecommunications Policy Committee, Consumer Federation of America
Electricity Policy Committee, Consumer Federation of America



Portland General Electric Company
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Douglas C. Tingey
Assistant General Counsel

August 18, 2009

Via Electronic Filing and U.S. Mail

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

Re: UE 209 and UM 1407

Attention Filing Center:

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

- **STIPULATION REGARDING ALL ISSUES**

This is being filed by electronic mail with the Filing Center.

The parties intend to file joint testimony in support of the stipulation in the near future.

An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided. Thank you in advance for your assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "DCT", is written over the typed name.

DOUGLAS C. TINGEY
Assistant General Counsel

DCT:cbm
Enclosures
cc: UE 209/UM 1407 Service Lists

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 209/UM 1407

In the Matter of Portland General Electric
Company's Application for Deferred
Accounting and Renewable Resources
Automatic Adjustment Clause (Advice No.
09-06, Schedule 122)

**STIPULATION REGARDING ALL
ISSUES**

This Stipulation ("Stipulation") is among Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon, the Industrial Customers of Northwest Utilities, and the Oregon Department of Transportation (collectively, the "Parties").

I. INTRODUCTION

In accordance with its tariff Schedule 122, PGE made its annual Renewable Resources Automatic Adjustment Clause (the "RAC") filing on April 1, 2009, Advice No. 90-06. The filing included PGE's initial testimony. Three renewable projects are included in PGE's filing: two solar projects called SunWay 1 and SunWay 2, and Phase 2 of the Biglow Canyon wind project. Also consistent with Schedule 122, on December 3, 2008, PGE filed a deferral request regarding the 2008 and 2009 costs of the two solar projects, docket UM 1407. All issues related to docket UM 1407 have been consolidated into this Stipulation.

On July 24, 2009, PGE filed supplemental testimony amending the revenue requirement request in this docket. Tariff Schedule 122 also requires PGE to file an update of the costs of these renewable resources by December 1, 2009. This update may further amend the revenue requirement request in this docket.

After PGE's initial filing in this docket the Parties sent and PGE responded to numerous data requests. Numerous workshops and settlement discussions have been held among the Parties. As a result of those discussions, the Parties have reached agreement settling all issues raised in this proceeding as set forth below. The Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles all issues in this docket UE 209 and consolidated docket UM 1407.
2. SunWay 1 and SunWay 2. The Parties agree as follows regarding SunWay 1 and SunWay 2:
 - a. Revenue Requirement: Funding from the Energy Trust of Oregon and the PGE Clean Wind Fund are offsets to the capital cost basis of the plant investment for SunWay 1 and SunWay 2. The Parties agree that this is the appropriate accounting treatment of third party contributions and is generally appropriate for future renewable projects.
 - b. For purposes of this docket, PGE also agrees to the use of a 10.0% ROE for the calculation of revenue requirement for both the deferral amount and the 2010 test year.
 - c. In settlement of this docket, PGE will reduce the 2010 test year revenue requirement for SunWay 1 by \$14,000 as an offset for the present value of above-market costs of SunWay 1 that create any increased revenue requirement over the life of the project.
 - d. With these adjustments the revenue requirements for SunWay 1 and SunWay 2 are as follows:

	2008 / 2009 Deferral	2010 Test Year
SunWay 1	\$18,555	\$7,249
SunWay 2	\$87,505	\$88,183

- e. The Parties agree that the December 1, 2009, update set forth in tariff Schedule 122 is not required for SunWay 1 and SunWay 2 because the revenue requirement costs above reflect actual costs, and are therefore not subject to change between the date of this stipulation and December 1, 2009.
- f. The Parties agree that PGE should attempt to minimize the cost to customers of complying with both the Renewable Portfolio Standard and the Solar Photovoltaic Capacity Standard. Except as required to meet the Solar Photovoltaic Capacity Standard, the costs to customers of any new solar resources acquired to meet the Renewable Portfolio Standard must be economically justifiable as compared to the costs of other qualifying renewable resources available at the time. Once PGE has met both the Solar Photovoltaic Capacity Standard and the Renewable Portfolio Standard, the costs to customers of any additional solar resources must be at or below the risk-adjusted market value of the delivered energy at the time the decision to invest was made.
3. Biglow Canyon Phase 2. The Parties agree as follows regarding Biglow Canyon Phase 2:
- a. The deferral period and 2010 test year revenue requirements are \$5.584 million and \$34.634 million respectively. These amounts are based upon an overall budget amount of \$325.4 million which includes approximately

Summary Impact of RAC Projects on UE-197 Results
Dollars in \$000s
2010 Test Year

	Order 08-601 2009 UE-197 (1)	Biglow Canyon Phase 2 Impact (2)	SunWay 1 (ODOT) Solar Project Impact (3)	SunWay 2 (ProLogis) Solar Project Impact (4)	UE-197 with RAC Projects (5)	RAC Revenues for RROE (6)	UE-____ Results with RAC Projects (7)
1 Sales to Consumers	1,708,644	-	-	-	1,708,644	34,729	1,743,374
2 Sales for Resale	-	-	-	-	-	-	-
3 Other Revenues	18,891	-	5	9	18,904	-	18,904
4 Total Operating Revenues	1,727,535	-	5	9	1,727,549	34,729	1,762,278
5 Net Variable Power Costs	848,441	-	-	-	848,441	-	848,441
6 Production O&M (excludes Trojan)	100,891	2,730	-	-	103,621	-	103,621
7 Trojan O&M	129	-	-	-	129	-	129
8 Transmission O&M	11,787	-	-	-	11,787	-	11,787
9 Distribution O&M	65,599	-	-	-	65,599	-	65,599
10 Customer & MBC O&M	64,790	-	-	-	64,790	-	64,790
11 Uncollectibles Expense	7,347	-	-	7,347	-	149	7,497
12 OPUC fee	5,340	-	-	-	5,340	109	5,448
13 A&G, Ins/Bene., & Gen. Plant	88,283	492	-	-	88,775	-	88,775
14 Total Operating & Maintenance	1,192,608	3,222	-	-	1,195,829	258	1,196,087
15 Depreciation	173,453	13,866	7	30	187,355	-	187,355
16 Amortization	18,781	230	-	-	19,011	-	19,011
17 Property Tax	33,032	1,147	-	-	34,179	-	34,179
18 Payroll Tax	11,338	-	-	-	11,338	-	11,338
19 Other Taxes	1,411	-	-	-	1,411	-	1,411
20 Franchise Fees	42,955	-	-	-	42,955	873	43,828
21 Utility Income Tax	64,093	(22,065)	(3)	(15)	42,010	12,868	54,878
22 Total Operating Expenses & Taxes	1,537,670	(3,600)	4	14	1,534,088	13,999	1,548,088
23 Utility Operating Income	189,865	3,600	1	(6)	193,460	20,730	214,190
24 Average Rate Base	189,865	-	-	-	193,460	-	214,190
25 Avg. Gross Plant	5,100,067	325,490	-	-	5,425,557	-	5,425,557
26 Avg. Accum. Deprec. / Amort	(2,674,938)	(13,574)	-	-	(2,688,512)	-	(2,688,512)
27 Avg. Accum. Def Tax	(286,862)	(38,289)	4	17	(325,131)	-	(325,131)
28 Avg. Accum. Def ITC	(271)	18,861	-	-	18,590	-	18,590
29 Avg. Net Utility Plant	2,137,995	292,488	4	17	2,430,504	-	2,430,504
30 Misc. Deferred Debits	30,420	-	163	562	31,144	-	31,144
31 Operating Materials & Fuel	67,707	-	-	-	67,707	-	67,707
32 Misc. Deferred Credits	(37,755)	-	-	-	(37,755)	-	(37,755)
33 Working Cash	79,959	(187)	0	1	79,773	728	80,501
34 Average Rate Base	2,278,326	292,301	167	579	2,571,373	728	2,572,101
35 Rate of Return	8.334%	-	-	-	7.524%	-	8.327%
36 Implied Return on Equity	10.100%	-	-	-	8.480%	-	10.088%
37 AR 499 - Net to Gross	14.86%	-	-	-	-	-	15.43%
38 AR 499 - Effective Tax Rate	25.24%	-	-	-	-	-	20.40%

Summary Impact of RAC Projects on UE-197 Results
 Dollars in \$000s
 2010 Test Year

	Order 08-601 2009 UE-197 (1)	Biglow Canyon Phase 2 Impact (2)	SunWay 1 (ODOT) Solar Project Impact (3)	SunWay 2 (ProLogis) Solar Project Impact (4)	UE-197 with RAC Projects (5)	RAC Revenues for RROE (6)	UE- Results with RAC Projects (7)
39 Effective Cost of Debt	6.567%	6.567%	6.567%	6.567%	6.567%	6.567%	6.567%
40 Effective Cost of Preferred	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
41 Debt Share of Cap Structure	50.000%	50.000%	50.000%	50.000%	50.000%	50.000%	50.000%
42 Preferred Share of Cap Structure	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
43 Weighted Cost of Debt	3.284%	3.284%	3.284%	3.284%	3.284%	3.284%	3.284%
44 Weighted Cost of Preferred	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
45 Equity Share of Cap Structure	50.000%	50.000%	50.000%	50.000%	50.000%	50.000%	50.000%
46 State Tax Rate	5.120%	5.120%	5.120%	5.120%	5.120%	5.120%	5.120%
47 Federal Tax Rate	35.000%	35.000%	35.000%	35.000%	35.000%	35.000%	35.000%
48 Composite Tax Rate	38.328%	38.328%	38.328%	38.328%	38.328%	38.328%	38.328%
49 Bad Debt Rate	0.430%	0.430%	0.430%	0.430%	0.430%	0.430%	0.430%
50 Franchise Fee Rate	2.514%	2.514%	2.514%	2.514%	2.514%	2.514%	2.514%
51 Working Cash Factor	5.200%	5.200%	5.200%	5.200%	5.200%	5.200%	5.200%
52 Gross-Up Factor	1.621	1.621	1.621	1.621	1.621	1.621	1.621
53 ROE Target	10.000%	10.000%	10.000%	10.000%	10.000%	10.000%	10.000%
54 Grossed-Up COC	11.391%	11.391%	11.391%	11.391%	11.391%	11.391%	11.391%
55 OPUC Fee Rate	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%
Utility Income Taxes							
56 Book Revenues	1,727,535	-	5	9	1,727,549	34,729	1,762,278
57 Book Expenses	1,473,577	18,465	7	30	1,492,078	1,131	1,493,209
58 Interest Deduction	74,809	9,598	5	19	84,431	24	84,455
59 Production Deduction	-	-	-	-	-	-	-
60 Permanent Ms	(17,985)	(256)	-	-	(18,241)	-	(18,241)
61 Deferred Ms	42,599	87,009	(7)	(29)	129,572	-	129,572
62 Taxable Income	154,535	(114,816)	(1)	(10)	39,708	33,574	73,282
63 Current State Tax	7,912	(5,879)	(0)	(1)	2,033	1,719	3,752
64 State Tax Credits	(2,084)	(2,200)	-	-	(4,284)	-	(4,284)
65 Net State Taxes	5,828	(8,079)	(0)	(1)	(2,251)	1,719	(532)
66 Federal Taxable Income	148,706	(106,737)	(1)	(10)	41,959	31,855	73,814
67 Current Federal Tax	52,047	(37,358)	(0)	(3)	14,686	11,149	25,835
68 ITC Amort	(1,456)	-	-	-	(1,456)	-	(1,456)
69 Federal Tax Credits	(8,363)	(9,977)	-	-	(18,340)	-	(18,340)
70 Deferred Taxes	16,036	33,349	(3)	(11)	49,371	-	49,371
71 Total Income Tax Expense	64,093	(22,065)	(3)	(15)	42,010	12,868	54,878
72 Effective Tax Rate	35.73%	-	-	-	27.81%	38.33%	29.73%
73 Regulated Net Income	115,056	-	-	-	109,029	-	129,735
					109,029		129,735