

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

**UE 288**

**Renewable Adjustment Clause  
for  
Tucannon River Wind Farm**

**Portland General Electric Company**



**Portland General Electric**

**February 13, 2015**

**Table of Contents**

**I. Introduction..... 1**

**II. Updated Revenue Requirement..... 4**

**List of Exhibits ..... 6**

**I. Introduction**

1 **Q. Please state your name and position with Portland General Electric (PGE).**

2 A. My name is Rebecca Brown. I am a senior analyst in PGE's Rates and Regulatory Affairs  
3 Department. My qualifications were previously provided in PGE Exhibit 100.

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

5 A. The purpose of my testimony is to update, with actual costs, PGE's requested recovery of  
6 the incremental revenue requirement for Tucannon River Wind Farm (Tucannon), a  
7 qualifying renewable resource project, through PGE's Schedule 122, pursuant to Oregon  
8 Revised Statutes (ORS) 757.210 and 469A.120(4). The Renewable Resources Adjustment  
9 Clause (RAC) allows for the deferral and collection of the revenue requirement associated  
10 with the portions of Tucannon that become operational prior to the full plant in service date.

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

12 A. After this introductory section, I provide the 2014 actual incremental revenue requirement  
13 for Tucannon for the two-week period, the in-service date of the plant and  
14 December 31, 2014.

15 **Q. Does this filing interrelate with PGE's 2015 test year general rate case, Docket UE 283?**

16 A. Yes. UE 283 included the annualized fixed and variable costs associated with Tucannon as  
17 well as energy benefits. PGE proposed including Tucannon in rates once it became fully  
18 operational. In early 2014, when PGE filed UE283, we expected Tucannon to be in-service  
19 during the first half of 2015. However, Tucannon was placed into service much earlier, on  
20 December 15, 2014. Rates were approved for Tucannon's annualized revenue requirement  
21 in Commission Order No. 14-422, effective January 1, 2015.

22 The revenue requirement approved in UE 283, however, did not include operation of  
23 Tucannon in 2014. Consequently, PGE is requesting costs and energy benefits for only the

1 last two weeks in 2014. All 116 of the project turbines were completed and connected to  
2 transmission to produce and deliver power on December 15, 2014.

3 **Q. What was the outcome of the prudence review of Tucannon in UE 283?**

4 A. In Commission Order No. 14-422, the Commission determined that PGE's decision to  
5 construct Tucannon was prudent and approved rates that went into effect on  
6 January 1, 2015.

7 **Q. Was an attestation filed with the OPUC?**

8 A. Yes. An attestation by our Vice President of Nuclear and Power Supply Generation, Steven  
9 Quennoz, was filed on December 15, 2014.

10 **Q. Why didn't PGE file an update as required by Schedule 122 on December 1, 2014?**

11 A. PGE filed proposed rates under Schedule 122 on March 31, 2014. The filing was docketed  
12 as UE 288. A prehearing conference was held on May 1, 2014 where the parties agreed to  
13 hold UE 288 in abeyance, pending resolution of UE 283, in part because the prudence of  
14 Tucannon would be addressed in UE 283. On October 10, 2014 PGE made a Supplemental  
15 Filing of Advice No. 14-06, RAC, stating that because UE 288 had been stayed at the  
16 parties' request, the Commission had not yet made findings, and as a result, there would be  
17 no December 1 update.

18 **Q. Please summarize PGE's requested revenue requirement in this filing.**

19 A. PGE is requesting approximately \$1.4 million of incremental revenue requirement for  
20 Tucannon.

21 **Q. What did PGE estimate for revenue requirement in its initial filing UE 288?**

22 A. PGE estimated revenue requirement in its filing on March 31, 2014 of \$2.0 million.

23 **Q. What Rate of Return (ROR) is PGE using for this filing?**

- 1 A. PGE is using the 2014 authorized ROR of approximately 7.62%, which is comprised of a
- 2 Return on Equity of 9.75% and Cost of Debt of 5.49% (Commission Order No. 13-459).

## II. Updated Revenue Requirement

1 **Q. What is the 2014 impact of Tucannon on PGE's revenue requirement?**

2 A. The final 2014 revenue requirement for Tucannon is \$1.4 million, net of dispatch benefits  
3 totaling \$0.7 million. Tucannon's average rate base for 2014 is \$20.8 million. Depreciation  
4 is \$0.7 million; O&M costs and property taxes are \$0.3 million. Exhibit 202 summarizes the  
5 incremental revenue requirement.

6 **Q. How do you calculate the net dispatch benefits?**

7 A. I use the energy output from Tucannon from December 15 through December 31, 2014  
8 multiplied by the average electric price from the final power cost forward curve<sup>1</sup> used in  
9 Docket No. UE 266 for the test year 2014. This method for valuing the output during the  
10 deferral period is specified in Schedule 122.

11 From the value of Tucannon's output, I then add the associated regulation, imbalance,  
12 integration, reserve, and royalty costs. The dispatch benefits will be adjusted out of the  
13 2014 NVPC results when performing the PCAM deferral calculation so these benefits are  
14 not double counted.

15 **Q. Are there any tax credits associated with Tucannon?**

16 A. Yes. I include Production Tax Credits (PTC) of \$0.7 million. These credits are  
17 incorporated into PGE Exhibit 202 as 'Federal Tax Credits.'

18 **Q. How was Tucannon's property tax calculated?**

19 A. Tucannon property taxes included in the 2014 revenue requirement are \$0.02 million. This  
20 is based on an annual 2014 property tax of \$0.3 million and prorated for the last two weeks  
21 of December 2014.

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<sup>1</sup> Average November 1 -7 2013 DJ MC price

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

2 A. Yes.

**List of Exhibits**

<b><u>PGE Exhibit</u></b>	<b><u>Description</u></b>
Exhibit 101	Tucannon Revenue Requirement



Tucannon River - 2014 Deferral	Tucannon River	
	2014	Rev Req
	December	Dec. 15-31, 2014
1 Sales to Customers	\$ 1,439,634	\$ 1,439,634
2 Other Revenues		\$ -
3 Total Operating Revenues	\$ 1,439,634	\$ 1,439,634
4 NVPC	\$ (718,242)	\$ (718,242)
5 O&M / A&G	\$ 269,889	\$ 269,889
6 Uncollectibles Expense	\$ 7,198	\$ 7,198
7 OPUC Fees	\$ 4,499	\$ 4,499
8 Depreciation	\$ 749,508	\$ 749,508
9 Amortization	\$ -	\$ -
10 Property Tax	\$ 16,031	\$ 16,031
11 Franchise Fees	\$ 36,008	\$ 36,008
12 Utility Income Tax	\$ (516,283)	\$ (516,283)
13 Total Operating Expenses & Taxes	\$ (151,392)	\$ (151,392)
14 Utility Operating Income	\$ 1,591,026	\$ 1,591,026
15 Rate of Return	0.64%	7.64550%
16 Avg. Gross Plant	\$ 249,480,321	\$ 20,790,027
17 Avg. Accum. Deprec. / Amort	\$ (374,754)	\$ (31,230)
18 Avg. Accum. Def Tax	\$ (2,648,484)	\$ (220,707)
19 Misc. Deferred Credits	\$ -	\$ -
20 Deferred Tax Credits	\$ 3,268,086	\$ 272,340
21 Prepays	\$ -	\$ -
22 Working Cash	\$ (5,602)	\$ (467)
23 Avg. Rate Base	\$ 249,719,567	\$ 20,809,964
24 Regulated Net Income	\$ 1,014,486	\$ 1,014,486
25 Return on Equity	0.81%	9.75%
Utility Income Taxes		
26 Book Rev	\$ 1,439,634	\$ 1,439,634
27 Book Exp	\$ 364,891	\$ 364,891
28 Interest Expense	\$ 576,540	\$ 576,540
29 Permanent Ms	\$ (21,307)	\$ (21,307)
30 Deferred Ms	\$ 22,144,089	\$ 22,144,089
31 Taxable Income	\$ (21,624,579)	\$ (21,624,579)
32 State Tax	\$ (1,616,122)	\$ (1,616,122)
33 State Tax Credits		\$ -
34 Net State Taxes	\$ (1,616,122)	\$ (1,616,122)
35 Federal Taxable Income	\$ (20,008,457)	\$ (20,008,457)
36 Federal Tax	\$ (7,002,960)	\$ (7,002,960)
37 Federal Tax Credits	\$ (723,348)	\$ (723,348)
38 Deferred Taxes	\$ 8,826,147	\$ 8,826,147
39 Total Income Tax	\$ (516,283)	\$ (516,283)

40 Working Cash Factor	3.700%	3.700%
41 Weighted Cost of Debt	2.771%	2.771%
42 Weighted Cost of Debt (Monthly)	0.231%	0.231%
43 State Tax Rate	7.474%	7.474%
44 Federal Tax Rate	35.000%	35.000%
45 Composite Tax Rate	39.858%	39.858%
46 Effective Cost of Debt	5.541%	5.541%
47 Equity Share of Cap Structure	50.000%	50.000%
48 Debt Share of Cap Structure	50.000%	50.000%
49 ROE Target	9.750%	9.750%
50 WACC	7.6455%	7.6455%
51 WACC (Monthly)	0.637%	0.637%
52 Gross-up Factor	1.663	1.663
53 Grossed-up Cost of Capital	10.876%	10.876%
54 Bad Debt Rate	0.500%	0.500%
55 OPUC Fee Rate	0.3125%	0.3125%
56 Franchise Fee Rate	2.501%	2.501%

Income Tax Check

57 Revenue	\$	1,439,634	\$	1,439,634
58 Int. Expense	\$	576,540	\$	576,540
59 Op. Expense	\$	364,891	\$	364,891
60 Book Taxable	\$	498,203	\$	498,203
61 Tot. Sch. M	\$	22,122,782	\$	22,122,782
62 Tax Taxable	\$	(21,624,579)	\$	(21,624,579)
63 Net State Tax	\$	(1,616,122)	\$	(1,616,122)
64 Net Federal Tax	\$	(7,726,308)	\$	(7,726,308)
65 Deferred Tax	\$	8,826,147	\$	8,826,147
66 Total Tax	\$	(516,283)	\$	(516,283)

TRUE

TRUE

UOI Check

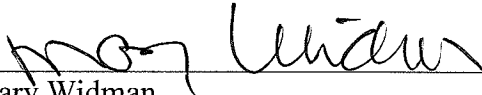
67 Avg. Rate Base	\$	20,809,964
68 RROE		7.64550%
69 UOI	\$	1,591,026

TRUE

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused **PORTLAND GENERAL ELECTRIC COMPANY'S SECOND SUPPLEMENTAL ADVICE NO. 14-06, RENEWBLE RESOURCES AUTOMATIC ADJUSTMENT CLAUSE** to be served by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket Nos. UE 283 and UE 288.

DATED at Portland, Oregon, this 13<sup>th</sup> day of February 2015.

  
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**SERVICE LIST**  
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