



Portland General Electric Company
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Douglas C. Tingey
Assistant General Counsel

March 3, 2008

Via Messenger

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

Re: UE 204 – Selective Water Withdrawal

Attention Filing Center:

Enclosed for filing in UE 204 are an original and five copies of :

Supplemental Testimony of Portland General Electric Company:

- **(PGE/200-201/Keil-Gilman-Hager/Revenue Requirement).**

Also enclosed are an original and five copies of:

- **Workpapers. (CD only)**

Included are confidential and non-confidential portions of the workpapers. The confidential portion is in separately sealed envelopes and subject to protective order 08-515. Please do not to post on the OPUC website.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas C. Tingey", written in a cursive style.

DOUGLAS C. TINGEY

DCT:jbf
Enclosures
cc: Service List-UE 204

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

UE 204
Selective Water Withdrawal Filing

PORTLAND GENERAL ELECTRIC COMPANY

Supplemental Testimony

March 3, 2009

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

Revenue Requirement

PORTLAND GENERAL ELECTRIC COMPANY

Supplemental Testimony and Exhibits of

Julie Keil
Kim Gilman
Patrick Hager

March 3, 2009

Table of Contents

I. Introduction 1

II. Updated Revenue Requirement..... 2

III. Qualifications..... 5

List of Exhibits..... 6

I. Introduction

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

2 A. My name is Julie Keil. I am the Director of Hydro Relicensing at PGE. I am responsible for
3 state and federal regulatory issues related to the FERC licensing and regulation of PGE's
4 hydroelectric projects. My qualifications were previously provided in PGE Exhibit 100.

5 My name is Kim Gilman. I am an Analyst in Regulatory Affairs at PGE. My
6 qualifications are provided in Section III

7 My name is Patrick Hager. I am the Manager of Regulatory Affairs at PGE. I am
8 responsible for analyzing PGE's cost of capital, including its Required Return on Equity.
9 My qualifications were previously provided in PGE Exhibit 100.

10 **Q. What is the purpose of this testimony?**

11 A. The purpose of this supplemental testimony is to provide an update to the revenue
12 requirement, which we committed to in PGE Exhibit 100, filed October 24, 2008.

13 **Q. Was the update initially supposed to be on a different date?**

14 A. Yes. In opening testimony, we committed to updating costs by March 10. We have agreed
15 with Staff and other parties to move this date to March 3, in order to allow parties time to
16 review the update and meet the timelines of the new schedule in this docket.

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

18 A. In Section II, we describe the changes in the updated revenue requirement. In Section III,
19 we provide qualifications.

II. Updated Revenue Requirement

1 **Q. What is the updated Selective Water Withdrawal Tower's overall impact on PGE's**
2 **revenue requirement?**

3 A. PGE currently forecasts that the SWW's revenue requirement will be \$11.8 million, or
4 approximately \$1.1 million less than was forecast originally (See PGE Exhibit 101). PGE
5 Exhibit 201 summarizes the development of the updated SWW incremental revenue
6 requirement. A spreadsheet with updated actual transactions for the SWW through January
7 2009 and the support for the revenue requirement calculation are provided in our work
8 papers.

9 **Q. Why is the updated revenue requirement for SWW \$1.1 million lower than originally**
10 **forecast?**

11 A. PGE previously agreed with Staff to: 1) revise the estimate of depreciation expense based on
12 a reduction of forecast negative salvage from 100% to 50%, and 2) update to reflect a more
13 appropriate first-year depreciation rate for the SWW. PGE incorporates these changes with
14 the understanding that PGE's accounting records for SWW depreciation will be recorded
15 consistent with the changes. As a result of these modifications, depreciation expense for the
16 SWW falls from \$2.3 million to \$1.3 million, accounting for nearly all of the change in
17 revenue requirement. Table 1 below summarizes the updated SWW revenue requirement as
18 compared to the original revenue requirement in PGE Exhibit 101.

Table 1
Summary of Revenue Requirement (\$000s)

	UE 204 - PGE Exhibit 100	Update	Variance
Total Average Rate Base	77,016	77,144	128
UE-197 Cost of Capital	8.334%	8.334%	n/a
Total Return	6,418	6,429	9
Book Depreciation	2,336	1,332	(1,004)
Taxes, Rev. Sensitive Costs	4,121	4,073	(48)
Total Rev. Req.	12,875	11,834	(1,041)

1 **Q. Do you include an estimate for O&M in this filing?**

2 A. No. Consistent with the October 9, 2008 stipulation in UE 197 between PGE, OPUC Staff
3 and other intervenors, as well as PGE Exhibit 100, PGE is filing for only the fixed cost
4 (capital) portion of the SWW.

5 **Q. Why is the updated SWW revenue requirement of \$11.8 million based upon a 10.1%**
6 **ROE rather than a 10.0% ROE due to decoupling?**

7 A. We established the revenue requirement based on a 10.1% ROE to be consistent with the
8 Commission's determination of base rates in UE 197 (see Commission Order No. 08-601).
9 Under the approved decoupling mechanism (See PGE Advice 09-01), PGE will defer the
10 impact of a 10-basis-point reduction in ROE, including the impact on the SWW of
11 approximately \$60,000 per year.

12 **Q. Please summarize the current projection of capital costs for the SWW.**

13 A. Table 2 outlines the changes from PGE Exhibit 100 to the current forecast of capital costs,
14 reflecting actual expenditures through January 2009.

15 The construction and engineering portion of the project is expected to be on budget,
16 with only small changes to AFDC, capitalized property taxes, and loadings.

Table 2
 Summary of Capital Cost Estimates (\$000s)

	UE 204 - PGE Exhibit 100	Update	Variance
Construction & Engineering	106,904	106,904	0
PGE Loading & Tax	1,574	1,461	(113)
Total Cost	108,478	108,365	(113)
PGE Share (66.67%)	72,322	72,247	(75)
PGE AFDC	6,024	6,003	(21)
PGE Total	78,346	78,250	(96)

- 1 **Q. What are the actual capital costs through January of the SWW project?**
- 2 A. Total capital costs (100% share) through January 2009 are \$91.9 million, excluding AFDC
- 3 and capitalized property taxes.

III. Qualifications

1 **Q. Ms. Gilman, please describe your qualifications.**

2 A. I received a Bachelor of Science degree in Business Administration with a concentration in
3 Finance from the University of Oregon in 1999. I have held a Certified Financial
4 Professional (AFP) designation since 2001. I am currently a candidate for a Masters in
5 Business Administration from Portland State University, concentrating in Sustainability and
6 Finance. I have been employed at PGE since 1999. I spent eight years in Corporate Finance
7 where I held various positions but was primarily responsible for managing corporate credit
8 risk and treasury operations. I have been an analyst in Regulatory Affairs since 2007.

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

10 A. Yes.

List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
201	Updated SWW Revenue Requirement

Impact of Selective Water Withdrawal on UE-197 Est. Results
Dollars in \$000s
Per UE-197 per Order 08-601
Updated 3/3/2009

	UE-197 2009 Results (1)	SWW Impact (2)	UE-197 with SWW (3)	SWW Revenues for RROE (4)	UE-197 Results with SWW (5)
1 Sales to Consumers	1,708,644		1,708,644	11,834	1,720,478
2 Sales for Resale	-		-		-
3 Other Revenues	18,891		18,891		18,891
4 Total Operating Revenues	1,727,535	-	1,727,535	11,834	1,739,369
5 Net Variable Power Costs	848,441		848,441		848,441
6 Production O&M (excludes Trojan)	100,891		100,891		100,891
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	57	7,404
12 OPUC fee	5,340	-	5,340	37	5,376
13 A&G, Ins/Bene., & Gen. Plant	88,283		88,283		88,283
14 Total Operating & Maintenance	1,192,608	-	1,192,608	94	1,192,701
15 Depreciation	173,453	1,332	174,785		174,785
16 Amortization	18,781		18,781		18,781
17 Property Tax	33,032	1,222	34,254		34,254
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	298	43,253
21 Utility Income Tax	64,093	(1,923)	62,170	4,383	66,553
22 Total Operating Expenses & Taxes	1,537,671	631	1,538,302	4,774	1,543,076
23 Utility Operating Income	189,864	(631)	189,233	7,060	196,293
	189,864		189,233		196,293
24 Average Rate Base					
25 Avg. Gross Plant	5,100,067	78,166	5,178,233		5,178,233
26 Avg. Accum. Deprec. / Amort	(2,674,938)	(640)	(2,675,578)		(2,675,578)
27 Avg. Accum. Def Tax	(286,862)	(663)	(287,525)		(287,525)
28 Avg. Accum. Def ITC	(271)		(271)		(271)
29 Avg. Net Utility Plant	2,137,995	76,863	2,214,859		2,214,859
30 Misc. Deferred Debits	30,420		30,420		30,420
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	33	79,992	248	80,240
34 Average Rate Base	2,278,326	76,896	2,355,222	248	2,355,471
35 Rate of Return	8.334%		8.035%		8.334%
36 Implied Return on Equity	10.100%		9.502%		10.100%
37 AR 499 - Net to Gross	14.86%				15.28%
38 AR 499 - Effective Tax Rate	25.24%				25.32%

Impact of Selective Water Withdrawal on UE-197 Est. Results
Dollars in \$000s
Per UE-197 per Order 08-601
Updated 3/3/2009

	UE-197 2009 Results (1)	SWW Impact (2)	UE-197 with SWW (3)	SWW Revenues for RROE (4)	UE-197 Results with SWW (5)
39 Effective Cost of Debt	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%
41 Debt Share of Cap Structure	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%
43 Weighted Cost of Debt	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%
45 Equity Share of Cap Structure	50.000%	50.000%	50.000%	50.000%	50.000%
46 State Tax Rate	5.120%	5.120%	5.120%	5.120%	5.120%
47 Federal Tax Rate	35.000%	35.000%	35.000%	35.000%	35.000%
48 Composite Tax Rate	38.328%	38.328%	38.328%	38.328%	38.328%
49 Bad Debt Rate	0.480%	0.480%	0.480%	0.480%	0.480%
50 Franchise Fee Rate	2.514%	2.514%	2.514%	2.514%	2.514%
51 Working Cash Factor	5.200%	5.200%	5.200%	5.200%	5.200%
52 Gross-Up Factor	1.621	1.621	1.621	1.621	1.621
53 ROE Target	10.100%	10.100%	10.100%	10.100%	10.100%
54 Grossed-Up COC	11.472%	11.472%	11.472%	11.472%	11.472%
55 OPUC Fee Rate	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%
Utility Income Taxes					
56 Book Revenues	1,727,535	-	1,727,535	11,834	1,739,369
57 Book Expenses	1,473,577	2,554	1,476,132	391	1,476,523
58 Interest Deduction	74,809	2,525	77,334	8	77,342
59 Production Deduction	-	-	-	-	-
60 Permanent Ms	(17,985)	(62)	(18,047)	-	(18,047)
61 Deferred Ms	42,599	3,735	46,335	-	46,335
62 Taxable Income	154,535	(8,753)	145,782	11,435	157,216
63 Current State Tax	7,912	(448)	7,464	585	8,049
64 State Tax Credits	(2,084)	-	(2,084)	-	(2,084)
65 Net State Taxes	5,828	(448)	5,380	585	5,965
66 Federal Taxable Income	148,706	(8,305)	140,402	10,849	151,251
67 Current Federal Tax	52,047	(2,907)	49,141	3,797	52,938
68 ITC Amort	(1,456)	-	(1,456)	-	(1,456)
69 Federal Tax Credits	(8,363)	-	(8,363)	-	(8,363)
70 Deferred Taxes	16,036	1,432	17,468	-	17,468
71 Total Income Tax Expense	64,093	(1,923)	62,170	4,383	66,552
72 Effective Tax Rate	35.78%	-	35.72%	38.33%	35.88%
73 Regulated Net Income	115,055	-	111,899	-	118,951
	115,055	-	111,899	-	118,951

**Work Papers Provided in Electronic (CD)
Format Only**

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58 Interest Deduction	74,809	2,525	77,334	8	77,342
59 Production Deduction	-	-	-	-	-
60 Permanent Ms	(17,985)	(62)	(18,047)	-	(18,047)
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73 Regulated Net Income	115,055	-	111,899	-	118,951
	115,055	-	111,899	-	118,951

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **PORTLAND GENERAL ELECTRIC COMPANY'S SUPPLEMENTAL 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 204.

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



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SERVICE LIST
OPUC DOCKET # UE 204

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<p>Carla Owings OREGON PUBLIC UTILITY COMMISSION PO Box 2148 Salem, OR 97308-2148 carla.m.owings@state.or.us</p>	<p>S. Bradley Van Cleve ICNU 333 SW Taylor Street Suite 400 Portland, OR 97204 mail@dvclaw.com</p>