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

October 24, 2008

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol Street, N.E., Suite 215
Salem, OR 97301-2551

RE: **Advice No. 08-15, Selective Water Withdrawal Project Adjustment**

Enclosed for filing, with a requested effective date of **November 24, 2008**, are an original and four conformed copies of revised Tariff sheets listed below.

Sixth Revision of Sheet No. 1-2
Ninth Revision of Sheet No. 100-1
Original Sheet No. 121-1
Original Sheet No. 121-2

Also enclosed are 20 copies of Direct Testimony, Exhibits, Motion for Approval of Protective Order, and a Pretrial Brief that conforms to the requirements in OAR 860-013-0075. Five copies of the non-confidential portion of work papers showing the source and calculation of rates are also enclosed. Confidential work papers will be provided after the Protective Order has been issued.

The purpose of this filing is to recover costs associated with PGE's Selective Water Withdrawal Project (SWW Project). The SWW Project is designed to enhance fish passage on the Deschutes River. The SWW Project is expected to be operational on or about May 1, 2009, at which time the rates proposed here would become effective. This filing is being treated as a "general rate revision."

This filing is being made in response to an agreement reached in UE 197. PGE, with support of the signing parties, agreed to remove the revenue requirements of the SWW Project from that docket and to file a separate request focused only on the SWW Project.

The overall rate increase request is $12.9 million annually (approximately a 0.8% increase).

While we request an effective date of November 24, 2008, we expect this filing to be suspended for investigation. We request that a prehearing conference be held expeditiously to establish a schedule that will allow revised prices to become effective May 1, 2009.

Please direct your communications related to this filing to the following:

Randall J. Dahlgren
Rates and Regulatory Affairs
121 SW Salmon St, 1WTC0702
Portland, Oregon 97204
(503) 464-7857
pge.opuc.filings@pgn.com

Doug Tingey
121 SW Salmon St, 1WTC1301
Portland, Oregon 97204
(503) 464-8926
doug.tingey@pgn.com

Sincerely,

Randall J. Dahlgren
Director, Regulatory Policy & Affairs

cc: Service List – UE 197

PORTLAND GENERAL ELECTRIC COMPANY
TABLE OF CONTENTS
RATE SCHEDULES

SCHEDULE 100
SUMMARY OF APPLICABLE ADJUSTMENTS

The following summarizes the applicability of the Company's adjustment schedules.

APPLICABLE ADJUSTMENT SCHEDULES

Schedules	102	105	106	107	108	109	110	111	115	120	121	122	125	126	128	129	130	140	(N)
	(1)		(1)		(3)	(1)	(1)			(1)			(1)		(4)	(1)	(1)	(1)	
7	x	x	x	x	x	x	x	x	x	x	x	x	x	x				x	
9			x$^{(1)}$		x				x										
15	x	x	x	x	x	x	x		x	x	x	x	x	x				x	
32	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x			x	
38	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		x	x	
47	x	x	x	x	x	x	x	x	x	x	x	x	x	x				x	
49	x	x	x	x	x	x	x	x	x	x	x	x	x	x				x	
75	x$^{(2)}$	x$^{(2)}$	x	x$^{(2)}$	x	x$^{(2)}$	x$^{(2)}$	x	x	x$^{(2)}$	x$^{(2)}$	x$^{(2)}$	x$^{(2)}$	x$^{(2)}$	x			x	
76R	x	x	x	x	x	x	x	x	x									x	
83	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		x	x	
87	x$^{(2)}$	x$^{(2)}$	x	x$^{(2)}$	x	x	x	x	x	x$^{(2)}$	x$^{(2)}$	x$^{(2)}$	x	x$^{(2)}$				x	
89	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		x	x	
91		x	x	x	x	x	x		x	x	x	x	x	x	x			x	
92		x	x	x	x	x	x		x	x	x	x	x	x				x	
93		x	x	x	x	x	x	x	x	x	x	x	x	x				x	
94		x	x	x	x	x	x		x	x	x	x	x	x				x	(N)
483	x	x	x	x	x	x	x	x	x					x$^{(5)}$		x		x	
489	x	x	x	x	x	x	x	x	x					x$^{(5)}$		x		x	
515	x	x	x	x	x	x	x		x			x		x$^{(5)}$	x			x	
532	x	x	x	x	x	x	x	x	x			x		x$^{(5)}$	x			x	
538	x	x	x	x	x	x	x	x	x			x		x$^{(5)}$	x		x	x	
549	x	x	x	x	x	x	x	x	x			x		x$^{(5)}$	x			x	
575	x$^{(2)}$	x$^{(2)}$	x	x$^{(2)}$	x	x	x	x	x			x$^{(2)}$		x$^{(2)}$	x			x	
576R	x	x	x	x	x	x	x	x	x									x	
583	x	x	x	x	x	x	x	x	x			x		x$^{(5)}$	x		x	x	
589	x	x	x	x	x	x	x	x	x			x		x$^{(5)}$	x		x	x	
591		x	x	x	x	x	x		x			x		x$^{(5)}$	x			x	
592		x	x	x	x	x	x		x			x		x$^{(5)}$	x			x	
594		x	x	x	x	x	x		x			x		x	x			x	

(1) Where applicable.
(2) These adjustments are applicable only to the Baseline and Scheduled Maintenance Energy.
(3) Schedule 108 applies to the sum of all charges less taxes, Schedule 115 charges and one-time charges such as deposits.
(4) Applicable to Nonresidential Customer who receive service at Daily or Monthly pricing (other than Cost of Service) or Direct Access (excluding service on Schedules 483 and 489).
(5) Not applicable to Customers where service was received for the entire calendar year that the Annual Power Cost Variance accrued.

SCHEDULE 121
SELECTIVE WATER WITHDRAWAL ADJUSTMENT

PURPOSE

This schedule recovers the fixed generation revenue requirement of the Company's Selective Water Withdrawal project on the Deschutes River located at the Round Butte Dam. Approval of this tariff adjustment will be considered a Commission revision of the Company's ratio of net revenues to gross revenues and effective tax rate for purposes of OAR 860-22-0041.

AVAILABLE

In all territory served by the Company

APPLICABLE

To all bills for Electricity Service served under the following rate schedules 7, 15, 32, 38, 47, 49, 75, 83, 87, 89, 91, 92, 93 and 94.

ADJUSTMENT RATE

The Adjustment Rates, applicable for service on and after November 24, 2008, are:

Schedule	Adjustment Rate
7	0.070 ¢ per kWh
15	0.066 ¢ per kWh
32	0.070 ¢ per kWh
38	0.071 ¢ per kWh
47	0.069 ¢ per kWh
49	0.069 ¢ per kWh
75	
Secondary	0.070 ¢ per kWh
Primary	0.067 ¢ per kWh
Subtransmission	0.065 ¢ per kWh
83	
Secondary	0.070 ¢ per kWh
Primary	0.067 ¢ per kWh
87	
Secondary	0.070 ¢ per kWh
Primary	0.067 ¢ per kWh
Subtransmission	0.065 ¢ per kWh
89	
Secondary	0.070 ¢ per kWh
Primary	0.067 ¢ per kWh
Subtransmission	0.065 ¢ per kWh

SCHEDULE 121 (Concluded)

ADJUSTMENT RATE (Continued)

Schedule	Adjustment Rate
91	0.066 ¢ per kWh
92	0.068 ¢ per kWh
93	0.069 ¢ per kWh
94	0.068 ¢ per kWh

SPECIAL CONDITIONS

1. Costs recovered through this schedule will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule.

2. The rates in this schedule will be added to the applicable rate schedules' Cost of Service Energy Charges for purposes of calculating the Schedule 128 Transition Adjustment.

3. Collections under this schedule will terminate at such time as the costs are included in base rates.

4. The prices contained in this tariff will be considered fixed revenue requirements with regard to Special Condition 2 contained in Schedule 129.

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **UE ___ ADVICE NO. 08-15 SELECTIVE WATER WITHDRAWAL ADJUSTMENT** 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 197.

Dated at Portland, Oregon, this 24 th day of October 2008.

PATRICK G. HAGER

SERVICE LIST - OPUC DOCKET # UE 197

Jim Deason, Attorney at Law 1 SW Columbia Street Suite 1600 Portland, OR 97258-2014 jimdeason@comcast.net	Scott Winkels LEAGUE OF OREGON CITIES PO BOX 928 Salem, OR 97308 swinkels@orcities.org
Kip Pheil OREGON DEPARTMENT OF ENERGY kip.pheil@sate.or.us (*Waived Paper Service)	OPUC DOCKETS CITIZEN'S UTILITY BOARD OF OREGON dockets@oregoncub.org (*Waived Paper Service)
S. Bradley Van Cleve DAVISON VAN CLEVE 333 SW Taylor, Suite 400 Portland, OR 97204 mail@dvclaw.com	Robert Jenks CITIZEN'S UTILITY BOARD OF OREGON bob@oregoncub.org (*Waived Paper Service)
Jim Abrahamson COMMUNITY ACTION DIRECTORS OF OREGON jim@cado.org (*Waived Paper Service)	Joan Cote OREGON ENERGY COORDINATORS ASSOCIATION cotej@mwvcaa.org (*Waived Paper Service)
Judy Johnson Oregon Public Utility Commission 550 Capitol Street NE, #215 Salem, OR 97308-2148 judy.johnson@state.or.us	Kurt J. Boehm, Attorney BOEHM KURTZ & LOWRY 36 E Seventh Street 1510 Cincinatti, OH 45202 kboehm@bklawfirm.com
Michael L. Kurtz BOEHM KURTZ & LOWRY 36 E Seventh Street 1510 Cincinatti, OH 45202 mkurtz@bklawfirm.com	Janet L. Prewitt, Assistant AG Department of Justice 1162 Court Street NE Salem, OR 97301-4096 Janet.prewitt@doj.state.or.us
Jason W. Jones, Assistant AG Department of Justice 1162 Court Street, NE Salem, OR 97301-4096 Jason.w.jones@state.or.us	Michael T. Weirich, Assistant AG Regulated Utility and Business Section 1162 Court Street, NE Salem, OR 97301-4096 Michael.weirich@doj.state.or.us
Roger D. Colton FISHER SHEEHAN & COLTON roger@fsonline.com (*Waived Paper Service)	

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE ___

Selective Water Withdrawal Filing
For Prices Effective May 1, 2009

Portland General Electric Company

Direct Testimony

October 24, 2008

Table of Contents

I. Introduction

Q. Please state your name and position.

A. My name is Julie Keil. I am the Director of Hydro Relicensing at PGE. I am responsible for state and federal regulatory issues related to the FERC licensing and regulation of PGE's hydroelectric projects.

My name is Stephen Schue. I am a Senior Analyst in the Rates and Regulatory Affairs Department. I provide analyses for various aspects of PGE's overall resource planning activities.

My name is Patrick Hager. I am the Manager of Regulatory Affairs at PGE. I am responsible for analyzing PGE's cost of capital, including its Required Return on Equity.

Our qualifications are listed at the end of this testimony.

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to support the $12.9 million revenue requirement of the Selective Water Withdrawal (SWW) capital additions and related expenses including depreciation and property tax expense, as shown in PGE Exhibit 101.

Q. Did PGE previously file to include the Selective Water Withdrawal in another docket?

A. Yes. PGE initially included the SWW project in UE 197. However, in the October 9, 2008 stipulation in UE 197, parties agreed to remove the SWW and include it as a separate docket. PGE's initial testimony regarding the SWW is PGE Exhibit 102. Our work papers include the data requests received and our responses.

Q. How is your testimony organized?

A. We begin in Section II with a brief history of Pelton Round Butte and the recent FERC licensing requirements. Section III describes the SWW structure as well as the design and cost modifications since 2004. We also discuss the bidding and selection process for the project contractor. In Section IV, we describe the components of the incremental revenue requirement for the SWW structure. In the final section, we present our qualifications.

II. Background

A. Brief History of Pelton Round Butte

Q. Please provide a brief history of the Pelton Round Butte hydroelectric generating plant.

A. The Pelton Round Butte Project consists of three developments located on the Deschutes River. PGE has majority ownership shares in two of these developments, Pelton and Round Butte. The remaining ownership interest is held by the Confederated Tribes of the Warm Springs Reservation of Oregon (Tribes), through its Warm Springs Power Enterprises. With respect to the third facility, PGE owns the majority of the re-regulation dam, but the associated powerhouse is owned by the Tribes. Pelton, completed in 1958, and Round Butte, completed in 1964, have a joint net capability of approximately 298 MW (PGE share). In 2001, PGE's long-term license expired and these plants operated under "annual licenses" until 2005, when FERC issued a new 50-year license to the Tribes and PGE.

B. License and Requirements

Q. Please briefly describe the actions leading up to, and following, FERC's issuance of a new license in 2005.

A. At the outset of the relicensing process in 1996, PGE and the Tribes were in competition for ownership of the entire project. Each party filed its own license application in 1999. The Tribes and PGE then reached an agreement regarding project ownership. Following that agreement, PGE and the Tribes filed their Final Joint Application Amendment in June 2001. In August 2002, FERC issued the Ready for Environmental Analysis Notice, indicating that it had sufficient information to analyze the environmental impacts of relicensing the project.

At that point, the mandatory conditioning agencies[1] filed their preliminary terms and conditions. Those terms and conditions, had they been included in the license, would have reduced project operating flexibility and imposed several extremely expensive mitigation measures.

In January 2003, PGE and the Tribes convened a settlement group and met over the next several months. In August 2003, FERC issued its Draft Environmental Impact Statement, in response to which PGE and the Tribes filed a description of their Proposed Preferred Alternative. That Proposed Preferred Alternative was based on a preliminary agreement among the parties to the settlement discussions. Subsequently, FERC issued its Final Environmental Impact Statement in June 2004, with parties signing the Settlement Agreement the following month. On June 21, 2005, FERC issued a new 50-year license[2].

Following the issuance of the license, certain parties filed petitions for rehearing. FERC ruled on these petitions in October 2006, but there were no major changes to the license conditions. In January 2007, PGE filed a license amendment to "true up" the fish passage requirements to the latest design, and began construction on the SWW in the summer of 2007. A detailed list of actions prior to and following FERC's issuance of the new license is included in PGE Exhibit 103.

Q. What factors does FERC consider when making its relicensing decisions?

A. FERC is required to consider fish and wildlife, recreational, land use, cultural and aesthetics issues equally with energy production. Certain federal and state resource agencies, known as "mandatory conditioning agencies," have specific authority to impose conditions on

[1] Mandatory conditioning agencies are agencies with authority that can impose various conditions.
[2] FERC has the authority to issues licenses with terms from 30 to 50 years. A 50-year license is uncommon and requires significant investment in project facilities and mitigation measures. There is usually significant pressure on FERC from environmental groups in favor of shorter license terms.

FERC-issued licenses. These conditions are often expensive and can limit operational flexibility. At the time of the Pelton Round Butte relicensing, there was no effective forum in which to challenge these mandatory conditions. Therefore, the process could have become very political and contentious.

Q. Did PGE work with other parties in the licensing process?

A. Yes. This licensing process was successful in substantial part because in January 2003, PGE and the Tribes began a multi-party, facilitated negotiation process, which resulted in a comprehensive settlement agreement among 22 parties (including PGE).

Q. Please describe the relicensing requirement leading to the development and construction of the SWW.

A. The federal fisheries agencies required a FERC condition that the SWW be designed to provide safe, timely, and effective fish passage. On a parallel track, the state and tribal agencies required that FERC have PGE build a new intake tower allowing for the moderation of temperatures in the lower Deschutes, which would comply with state and tribal water quality standards.

PGE Exhibit 104 contains the Pelton Round Butte license, which includes the conditions prescribed by federal, state and tribal agencies, including those that are being met by the SWW. Within PGE Exhibit 104, Appendices A and B contain the requirements imposed by federal fisheries agencies, while Appendices C and D contain the requirements imposed by the state and tribal water quality agencies.

Q. Were there fish passage facilities in the past at Pelton Round Butte?

A. Yes. The original fish passage system for Pelton Round Butte combined downstream collection and transport facilities, with an upstream fish ladder and a gondola that transported fish upstream over Round Butte Dam, the uppermost dam in the project.

Q. Were these systems effective?

A. Unfortunately, no. The fish passage system failed, due primarily to downstream migration problems in Lake Billy Chinook, the reservoir behind Round Butte Dam. Conflicting currents from the three tributaries, the Deschutes, Crooked, and Metolius Rivers confused the downstream migrating fish, which rarely found their way toward the collection facility in the Round Butte Dam forebay. This problem was reconfirmed in studies undertaken during the relicensing process.

Q. What alternative action did PGE take?

A. In 1968, when it was apparent that the fish passage system was not performing, it was abandoned. As an alternative to fish passage, PGE funded a steelhead and Chinook salmon hatchery program during the first license period.

III. Selective Water Withdrawal (SWW) Project Description

A. Project Description

Q. Why is the SWW necessary?

A. As discussed in Section II, alternative approaches were used for fish passage in the past. Those approaches failed to achieve effective downstream passage. The SWW will allow for fish collection. In addition to the fish passage issue, there are water quality issues. The SWW changes the water temperature of the Deschutes river below the reregulation dam. A variable or selective intake is the only feasible way to correct the project's effect on water temperature and achieve compliance with state and tribal water quality standards. To obtain FERC license renewal and new State of Oregon and Tribal Water Quality Certificates, the Selective Water Withdrawal structure was necessary.

Q. What benefits will the SWW provide?

A. The SWW will both correct the water quality issues and provide effective downstream anadramous fish passage. It will change the water currents in the reservoir to provide better guidance through the reservoir and to attract fish into the fish collection facility. The SWW will modify the temperature of the lower Deschutes River to more closely match conditions before the dams were constructed as well as achieve compliance with state and tribal water quality standards.

As discussed in the license requirements in Section II, these corrections are required in the FERC License. PGE Exhibit 105 is a narrative that explains what the SWW must accomplish, why the change in design was made, and details the primary drivers for cost increases. This exhibit is an update to a document provided in PGE's Response to OPUC

Data Request No. 369, Attachment H, in UE 197. We also described the benefits in PGE's Response to CUB Data Request No. 053 in UE 197.

Q. Have you calculated "per MWh" costs for power to be produced by the relicensed plants?

A. Yes. In UE 180 we provided a cost-benefit analysis of performing the necessary relicensing work (PGE Exhibit 300, pages 23-25). At that time, PGE determined that on a real levelized 2006 dollar basis, the per MWh cost for Pelton would be $21.83 and Round Butte $22.66. This cost was substantially less than the then comparable market price of $53/MWh. We also determined at that time that the project would provide a net present value benefit to customers of approximately $165 million for Pelton and $375 million for Round Butte over the life of the license. This testimony from UE 180 is included in PGE Exhibit 106.

Q. Please describe the SWW structure.

A. The project consists of a tower with three sections:

- Bottom Section - attaches to the existing powerhouse intake and completely screens the powerhouse flows withdrawn from the bottom of the reservoir so fish can't get in.
- Pipe - connects the bottom intake with the top intake, allowing mixing of the warmer surface water with the colder bottom water as necessary.
- Top section - floating fish collection facility with two V-screens that allow for both fish collection and water intake for powerhouse generation. (Additional detail is provided in PGE's Response to OPUC Data Request No. 053 in UE 197, included as work papers.)

Q. How will the SWW tower improve fish conditions?

A. The SWW will improve fish conditions in two ways. First, by allowing water to be withdrawn from the Round Butte reservoir surface, the Tower will create more distinct currents through the reservoir. These currents will guide downstream migrating juvenile salmonids to new fish collection facilities. Second, the Tower will improve water quality and downstream of the project by normally utilizing the warmer surface water throughout the year and mixing in colder bottom water during the late summer and fall. Downstream water temperatures will then be reduced, returning the lower Deschutes to pre-dam conditions – and improve conditions for the salmon and trout populations.

Q. With the completion of the SWW structure, will the site contribute to PGE meeting Oregon's Renewable Energy Standard (RES)?

A. Yes, with the completion of the SWW in 2009, 226 miles of streams in the Deschutes River basin will be reopened to fish migration, earning the facility a designation as a green power resource by the Low Impact Hydropower Institute. As a result, 50 MW will qualify under Oregon's RES.

B. SWW Structure Design

Q. Please describe the original design for the Selective Water Withdrawal.

A. In late 2004 PGE selected a round structure or a "cheese wheel" design for the SWW. A picture of this design, as well as descriptions of the evolution of designs discussed further in this section, can be found in PGE's Response to OPUC Data Request No. 369 in UE 197, Attachment G, included in our work papers.

Q. Was the cheese wheel design used?

A. No. At the 25% design stage (i.e., when 25% of the design is completed), the estimated costs were found to be much higher than expected. In addition, design complexities were discovered, which included wave and wind loadings, as well as transient and seismic issues. PGE determined that the cheese wheel design could not be reasonably modified to meet these complications and the structure must be re-conceptualized. PGE convened a value engineering team and instructed them to lower the cost of the structure and resolve some of the design issues raised by the cheese wheel.

Q. What design complexities does this project present?

A. The design complexities are outlined below, but in general there are six areas: Underwater Construction, Seismic Loads, Dynamic Loads, Temperature, Fish Criteria and Dam Safety:

<u>Underwater Construction</u>

- 280' tall structure in 270' water
- Design requires no saturation diving during construction
- Structure must be fully functional through a 20' reservoir fluctuation
- Upper section removal in the event of an emergency requiring drawdown in excess of 20'

<u>Seismic Loads</u>

- Structure must accommodate seismic loading magnified by the internal and external water added mass acting on the structure
- Structure must have a bottom intake fixed to the reservoir floor and a top intake floating independently in order to relieve seismic pressures and other loads
- Structure must provide the ability to withdraw water from the surface and the bottom and in any combination

- Structure must essentially be freestanding with no other existing supports to build off of (i.e. RB dam is a rock filled gravity dam, not a concrete dam that could provide anchorage/support)

Dynamic Loads

- Structure must screen 100% of the powerhouse flows at rapid ramping rates from generator startup to full powerhouse flows (14,000 cfs) and turbine generator trips from full load

Temperature

- Structure must provide the ability to withdraw water from the surface and the bottom and in any combination

Fish Criteria

- Meets all Fish Agency requirements for fish screening (Screen mesh opening size, approach velocity, sweeping velocity, etc.)

Dam Safety

- Structure must not impact the safety of the dam in the event of any postulated events

These descriptions are also listed in PGE Exhibit 105.

Q. When did PGE arrive at the new design?

A. The new value engineering study was completed in early 2005. This study developed the new concept of the SWW, with the goal of reducing costs and addressing the many design complexities mentioned above.

Q. What was the cost of this design?

A. At 25% design completion in 2006, the structure was estimated to cost $82 million. PGE's portion was $60.4 million[3].

Q. Please explain the major components of the cost.

A. Construction is the bulk of the cost, at $67 million. Engineering and project management costs of $13 million, coupled with $1.5 million for PGE loading equals the total project cost of $82 million. PGE's share (2/3) of that cost was $54.6 million, to which $5.5 million of AFUDC was added. There is an additional $0.3 million for taxes. The total for PGE's portion is then $60.4 million.

Q. Have the costs changed since the 2006 estimate?

A. Yes, the total construction and engineering costs have increased approximately $26 million since 2006. The current cost estimate for PGE's share of the project is now approximately $78 million, including AFUDC. We included this estimate in the UE 197 filing.

Q. Has the estimate for PGE's share changed since UE 197?

A. Yes. Since the request in UE 197, PGE loading and AFUDC estimates have decreased, lowering costs by approximately $2.5 million. Table 1 below outlines the change in costs from the forecast made in 2006 to the current forecast:

Table 1
Summary of Cost Estimates

				Variance	
	2006 Forecast	**UE 197**	**Current**	***UE 197 - 2006***	***Current - UE 197***
Construction & Engineering	80,500	106,904	106,904	*26,404*	*-*
PGE Loading & Tax	1,923	3,399	1,574	*1,476*	*(1,825)*
Total Cost	**82,423**	**110,303**	**108,478**	*27,880*	*(1,825)*
PGE Share (66.67%)	54,951	73,539	72,322	*18,588*	*(1,217)*
PGE AFDC	5,428	7,273	6,024	*1,845*	*(1,249)*
PGE Total	**60,379**	**80,812**	**78,346**	*20,433*	*(2,466)*

[3] PGE's portion includes AFDC while the total cost of $82 million does not.

Q. Please explain the increase from 2006 to current projections.

A. There are many detailed changes that comprise the approximately $26 million increase in construction and engineering. Those details are summarized here and the individual drivers are discussed in PGE Exhibit 105.

- $3.1 million - Design cost and schedule changes: This includes additional design work related to increased complexity and scope, as well as additional software for geometric modeling and design.
- $16.9 million - Construction costs and schedule changes: $5.4 million is due to inflation and competitive bids on various aspects (such as electrical work and various parts) that came in higher than expected. $0.8 million is for additions that were made to the contract to build a rock fence and install grout bag seals that are part of the drilling and anchoring process for the bottom structure. $10.7 million of the change in cost is for increases in the scope of the contract due to the increased complexity, weight and structure modifications.
- $6.6 million - Design and Construction Allowance and Contingency: As with any other large construction project, a contingency amount was added for expected additional expenditures such as changes to the contract once the design was finalized, unknown geological conditions, painting (priced based on weight, which increased substantially), steel price escalation, potential schedule delays, and potential changes to the scope of the trash rack removal/modifications portion of the job.

Q. Did FERC estimate the costs of the SWW?

A. Yes. FERC issued a Final Environment Impact Statement (FEIS) in June 2004, prior to issuing the license in 2005 and prior to any substantial engineering design analysis. The estimated cost for the SWW was approximately $13.7 million.

Q. What was the basis of FERC's estimate?

A. While PGE provided FERC information that they used as input for the FEIS estimates, the dollar amounts in the FEIS were FERC Staff's estimates. They are not representative of the realistic costs to build the structure that is necessary to meet the license requirements. We do not know what information FERC may have taken into account in preparing their estimate. However, as we noted above, the number was developed prior to any engineering work on the project and while many concepts were still being considered. Additionally, FERC's estimate is in 2002 dollars; thus, part of the difference is due to inflation and the rising cost of materials.

Q. When is the SWW expected to be completed?

A. The SWW is expected to be completed and operating on April 30, 2009.

C. Bidding Process for Contractor

Q. Please describe the process PGE used to select the contractor for the SWW.

A. PGE hired an engineering consultant, CH2M Hill, to assist in selecting the contractor to build the structure as well as provide project oversight. Initially, PGE and our consultant selected nine companies with the appropriate knowledge and work quality for this type of project. We then sent a prequalification letter to those nine companies in October 2005. We received responses from these parties and narrowed the list to three bidders.

We sent an "Invitation to Bid" to these three companies in March 2006, asking for responses by May 31, 2006. The three bid proposals received were evaluated and ranked. Extensive discussions were then held with the two lowest price bidders to ensure PGE's complete understanding of their respective bids. The lowest bid, from Barnard Construction Company, was eventually selected in August of 2006.

Q. Was the design complete for the SWW at the time of the selection of the contractor?

A. No. Portions of the design were complete, but others were not yet defined. Extensive negotiations took place with Barnard so that costs for items that were undefined during the bid process could be estimated and partially locked in. PGE required extensive justification from the contractor for price updates for design changes or unique design elements prior to agreeing to and finalizing those prices.

IV. Revenue Requirement

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

A. PGE currently forecasts that the SWW's revenue requirement will be $12.9 million. PGE Exhibit 101 summarizes the development of the SWW's incremental revenue requirement.

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

A. No. Consistent with the October 9, 2008 stipulation in UE 197 between PGE, OPUC Staff and other interveners, PGE is filing for only the fixed cost (capital) portion of the SWW.

Q. If the Commission adopts the supplemental tariff to determine SWW's incremental revenue requirement, should the Commission allow for an update to ratios used to determine taxes collected in rates for SB 408 purposes?

A. Yes. SWW's incremental revenue requirement includes taxable income associated with equity return on investment. Since PGE's expected tax liability would change from the impact of SWW, it is appropriate to update the net to gross and effective tax rates used in SB 408 to reflect this impact.

Q. How should the updated ratios be calculated?

A. The ratios should be computed using the UE 197 approved revenue requirement, as modified for SWW in this supplemental tariff proceeding. For example, based on the $12.9 million SWW revenue requirement, the ratios for UE 197, and UE 197 modified for SWW, are provided in PGE Exhibit 101.

Q. How is the depreciation life of the SWW assets determined?

A. PGE completed a "Detailed Depreciation Study of the Electric Properties of the Company" in UM 1233. Depreciation life parameters by FERC account were agreed to in the

Stipulation in UM 1233, which was approved in Commission Order No. 06-581 and amended in Order No. 07-438. All assets are categorized by FERC Plant Account and each account has an agreed curve/life and agreed salvage percentage. Under these rules, the SWW assets will be included in Hydro Production account 33200 labeled Reservoirs, Dams, and Waterways. The asset life in this account is 95 years with a -100% salvage value. Under the parameters approved in UM 1233, the depreciation rate will be 1.680% for 2009 and 1.149% for 2010.

Q. When does PGE request rates be effective to recover SWW costs?

A. We request rates be effective the later of May 1 or the actual on-line date of the SWW. Currently, we expect the facility to be on-line April 30, 2009. PGE will file an attestation once the SWW has closed to plant in service.

Q. How did PGE allocate the re venue requirement to the individual schedules?

A. We allocated the revenue requirement on the basis of an equal percent of generation revenue applied on a cents per KWh basis to each applicable rate schedule.

Q. Does PGE propose to update the revenue requirement of the SWW during this proceeding?

A. Yes. We propose to update estimates of rate base and associated depreciation by March 10, 2009. At that point, the update will provide an estimate that consists of predominately known actual costs with only a minimal forecast component.

V. Qualifications

Q. Ms. Keil, please describe your qualifications.

A. I received a Bachelor of Arts degree in History from the University of Minnesota in 1980 and a Juris Doctorate from the Northwestern School of Law, Lewis and Clark College in 1983. I have been admitted to practice in Oregon since 1983.

I maintain positions on the Board of Directors for the National Hydropower Association and the Deschutes River Conservancy. I am also an Advisory Board Member for the Low Impact Hydro Institute.

I have been employed at PGE since 1984, beginning as Assistant General Counsel. I have held my current position as Director of Hydro Relicensing since 1991.

Q. Mr. Schue, please describe your qualifications.

A. I received a Bachelor of Science degree in Economics from the University of Oregon, a Master of Arts degree in Economics from the University of Minnesota, and a Master of Business Administration degree from the University of Louvain (Belgium). I have taught beginning and intermediate level economics courses at the University of Minnesota, particularly in the area of public finance.

I have been employed at PGE in a variety of positions beginning in 1984, primarily in the Rates and Regulatory Affairs Department. I have worked on Bonneville Power Administration rate cases, particularly in transmission rate design. I was the Project Manager for PGE's 2000 Integrated Resource Plan (IRP), and worked on PGE's 2002 IRP and related Request for Proposals. I also co-sponsored testimony and provided analytical support in the Trojan-related UE 88 Remand docket. In addition, I worked at the Oregon

Public Utility Commission during 1986 and 1987, where my primary assignment was economic evaluation of conservation programs.

Q. Mr. Hager, please describe your qualifications.

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

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

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

Q. Does this conclude your testimony?

A. Yes.

List of Exhibits

PGE Exhibit	Description
101	SWW Revenue Requirement
102	Relevant Testimony from UE 197
103	Summary of Actions - FERC Licensing
104	Pelton Round Butte License (Electronic only)
105	SWW Background and Cost Summary
106	Relevant Testimony from UE 180, PGE Exhibit 300

Impact of Selective Water Withdrawal on UE-197 Est. Results
Dollars in $000s

	UE-197 PGE Exh. 2301 2009 Results	SWW Impact	UE-197 with SWW	SWW Revenues for RROE	UE-197 Results with SWW
	(1)	(2)	(3)	(4)	(5)
1 Sales to Consumers	1,748,452		1,748,452	12,875	1,761,327
2 Sales for Resale	-		-		-
3 Other Revenues	18,891		18,891		18,891
4 Total Operating Revenues	1,767,343	-	1,767,343	12,875	1,780,218
5 Net Variable Power Costs	859,849		859,849		859,849
6 Production O&M (excludes Trojan)	102,575		102,575		102,575
7 Trojan O&M	129		129		129
8 Transmission O&M	10,011		10,011		10,011
9 Distribution O&M	67,027		67,027		67,027
10 Customer & MBC O&M	65,097		65,097		65,097
11 Uncollectibles Expense	7,518	-	7,518	55	7,574
12 OPUC fee	5,464	-	5,464	40	5,504
13 A&G, Ins/Bene., & Gen. Plant	109,422		109,422		109,422
14 Total Operating & Maintenance	1,227,093	-	1,227,093	96	1,227,188
15 Depreciation	173,636	2,336	175,972		175,972
16 Amortization	18,781		18,781		18,781
17 Property Tax	34,937	1,219	36,156		36,156
18 Payroll Tax	12,856		12,856		12,856
19 Other Taxes	1,411		1,411		1,411
20 Franchise Fees	43,956	-	43,956	324	44,280
21 Utility Income Tax	64,289	(2,288)	62,001	4,771	66,771
22 Total Operating Expenses & Taxes	1,576,958	1,267	1,578,225	5,190	1,583,415
23 **Utility Operating Income**	190,385	(1,267)	189,118	7,685	196,803
	190,385		189,118		196,803
24 **Average Rate Base**					
25 Avg. Gross Plant	5,104,609	78,304	5,182,913		5,182,913
26 Avg. Accum. Deprec. / Amort	(2,674,938)	(1,261)	(2,676,199)		(2,676,199)
27 Avg. Accum. Def Tax	(286,862)	(363)	(287,226)		(287,226)
28 Avg. Accum. Def ITC	(271)		(271)		(271)
29 **Avg. Net Utility Plant**	2,142,537	76,680	2,219,217	-	2,219,217
30 Misc. Deferred Debits	30,077		30,077		30,077
31 Operating Materials & Fuel	67,707		67,707		67,707
32 Misc. Deferred Credits	(37,755)		(37,755)		(37,755)
33 Working Cash	82,002	66	82,068	270	82,338
34 **Average Rate Base**	2,284,568	76,746	2,361,314	270	2,361,584
35 **Rate of Return**	8.334%		8.009%		8.333%
36 **Implied Return on Equity**	10.100%		9.451%		10.100%
37 **AR 499 - Net to Gross**	**14.57%**				**14.96%**
38 **AR 499 - Effective Tax Rate**	**25.24%**				**25.33%**

Impact of Selective Water Withdrawal on UE-197 Est. Results
Dollars in $000s

	UE-197 PGE Exh. 2301 2009 Results	SWW Impact	UE-197 with SWW	SWW Revenues for RROE	UE-197 Results with SWW
	(1)	(2)	(3)	(4)	(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	0.430%	0.430%	0.430%	0.430%	0.430%
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	1,767,343	-	1,767,343	12,875	1,780,218
57 Book Expenses	1,512,669	3,555	1,516,225	419	1,516,644
58 Interest Deduction	75,014	2,520	77,534	9	77,543
59 Production Deduction	-		-		-
60 Permanent Ms	(17,985)	(106)	(18,091)		(18,091)
61 Deferred Ms	42,599	2,366	44,965		44,965
62 Taxable Income	155,046	(8,335)	146,711	12,447	159,157
63 Current State Tax	7,938	(427)	7,512	637	8,149
64 State Tax Credits	(2,084)		(2,084)		(2,084)
65 Net State Taxes	5,854	(427)	5,428	637	6,065
66 Federal Taxable Income	149,191	(7,908)	141,283	11,810	153,092
67 Current Federal Tax	52,217	(2,768)	49,449	4,133	53,582
68 ITC Amort	(1,456)		(1,456)		(1,456)
69 Federal Tax Credits	(8,363)				
70 Deferred Taxes	16,036	907	16,943	-	16,943
71 Total Income Tax Expense	64,289	(2,288)	70,364	4,771	75,134
72 Effective Tax Rate	35.78%		40.54%	38.33%	40.39%
73 Regulated Net Income	115,371		111,584		119,260
	115,371		111,584		119,260

market forces. Had we not filed this general rate case, we would have requested essentially this amount through our Schedule 125 Annual Power Cost Update Tariff (AUT).

Second, a little over one-third of the increase is due to increases in Operations and Maintenance (O&M) and Administrative and General (A&G) expenses. These costs are driven by increases in the cost of labor, materials, supplies, and new compliance related costs.

The final third of the increase is related to several items including: a larger rate base (e.g., the Selective Water Withdrawal Tower at our Pelton Round Butte Hydro Project and fuel inventories), higher other non-O&M expenses (e.g., depreciation and non-income taxes, such as payroll taxes and franchise fees) and a higher cost of capital.

Q. Since PGE has experienced higher income levels in 2007, why do you need this increase for 2009?

A. The difference in expectations compared with 2007 is the result of several factors. First, as described above (and in more detail in the testimony that follows), PGE's costs are rising. Our costs for 2008 will be higher than 2007 and we expect they will continue to rise in 2009. Second, the favorable results for 2007 occurred because of significant items that relate to prior periods (e.g., $20.4 million for the Boardman deferral, and $5.6 million for California receivables) and favorable results related to 2007 power costs (e.g., reasonable hydro conditions and favorable plant operations) that will result in a refund to customers from PGE's power cost adjustment mechanism. In addition, PGE's positive results for 2007 are compounded by the effects of SB 408, which result in PGE accruing additional revenue to reflect the eventual collections from customers for the higher taxes associated with higher income levels.

also requires substantial capital investments. For example, PGE expects to complete the Round Butte Selective Water Withdrawal in 2009 at a cost to PGE of $81 million.

Q. Have you quantified the impact of heightened regulatory requirements?

A. Yes. Most of the impacts are cumulative (and in some cases compounded) in nature and occur throughout the organization, so that it is not possible to entirely quantify the exact impact of each new regulatory requirement. I do, however, estimate that the readily identifiable increases associated with compliance total about $11.5 million from 2007 to our 2009 forecast, and include the following examples:

- $4.8 million for hydro relicensing requirements;
- $750,000 for 7.5 full time equivalent (FTE) employees to comply with FERC Order 890-A;
- $2.0 million for OPUC Fees in A&G based on a change in statute;
- $1.0 million for the inspection of the Kelso-Beaver pipeline as required by FERC;
- $700,000 for costs related to PGE's membership in the WECC;
- $400,000 to establish a Business Continuity and Emergency Management department (while not required by a specific government mandate, this effort is a necessary response to heightened expectations placed on essential service providers); and
- $650,000 for additional FERC compliance activities.

VII. Rate Base

Q. What is PGE's 2009 average rate base and what does it include?

A. The total 2009 average rate base is $2,366 million. PGE Exhibit 208 provides the details of the 2009 average rate base, which includes PGE's investment in plant in service, net of Accumulated Depreciation, Accumulated Deferred Taxes, and Accumulated Investment Tax Credits (ITC). In addition, the average rate base includes Fuel and Materials Inventory, Miscellaneous Deferred Debits and Credits, and Working Cash.

Q. How does PGE's 2009 rate base compare to rate base approved in UE 180 / UE 188?

A. PGE Exhibit 209 shows that the UE 180 / UE 188 average rate base was $2,237 million. Since UE 180 / UE 188, PGE's average rate base has increased by $129 million to $2,366 million, as a result of several factors. The major changes include:

- The completion of the Selective Water Withdrawal project, increasing rate base by $64 million;
- New regulatory debits for equity issuance fees and deposits, increasing rate base by $17 million;
- Higher inventory/fuel stock requirements, reflecting both higher prices for fuel and the need for greater inventories, increasing rate base by $18 million;
- Greater working cash needs as a result of higher operating expenses, increasing rate base by $8 million; and
- Miscellaneous other changes, including depreciation of prior vintage plant in service, capital additions, deferred tax changes, and other changes increasing rate base by $23 million.

Q. How did you develop the estimate of plant in service for the 2009 test year?

A. First, we estimated year-end 2007 embedded plant using actual results as of the end of the third quarter with forecasted closings through year-end. Next, we evaluated 2008 and 2009 capital additions. Certain larger projects were closed based on a specific forecasted closing date. For example, we forecast the Selective Water Withdrawal project to close on March 31, 2009. However, we model most capital additions by evaluating CWIP balances using historical experience. We then applied a forecast closing pattern to CWIP to develop plant in service estimates from 2008 and 2009 capital additions. Our work papers detail the development of 2009 plant in service from forecast embedded plant at year-end 2007.

Q. Are there any new rate base items in 2009 relative to the UE 180 / UE 188 proceedings?

A. Yes. We have two new deferred debit balances in the 2009 test year. The first is Broker Deposits which include collateral PGE's Power Operations group must place against primarily longer-term power purchases. For the 2009 test year, we forecast an average balance of $10.1 million. The Broker Deposit accounts accrue interest, for which we credit customers in the Other Revenue portion of the revenue requirement. The second is deferred equity issuance costs, which average $6.7 million for the 2009 test year.

Q. In UE 188, PGE provided a credit to Biglow 1 rate base to reflect $6 million in funding received by the Energy Trust of Oregon (ETO). Did you include that credit in the development of 2009 average rate base?

A. Yes. In UE 188, it was assumed the accounting treatment for the credit would be as a miscellaneous deferred credit. Since that time, we have determined that the proper accounting treatment of the ETO funds is as a direct offset to the capital costs of Biglow 1. Hence, customers receive the credit as reduced plant in service in 2009.

Q. Has PGE received the funds from the ETO?

At Round Butte, new license requirement costs increase by $1.8 million from 2007 to 2009 ($0.5 million in 2008 and $1.3 million in 2009). In 2008, at Round Butte we are obligated to provide annual funding to Jefferson County for law enforcement support of the project lands, including Lake Billy Chinook, maintain the United States Forest Service network of roads, and maintain and protect significant historic properties within the project boundary. In 2009, increased expenses are due to other license requirements, including Lamprey studies, fish pathways and rock scaling.

At the Faraday facility, a $0.4 million increase is due to several factors, including a FERC-required inspection, increased operator training, and the development of a Site Usage Plan for the West Side Hydro facilities. A $0.2 million increase at Sullivan is for a fish biologist contractor and other professional services. These costs are tied to additional required testing and monitoring of fish following the completion of the fish passage improvements.

Additionally, there is a $1.6 million increase for on-going maintenance projects for the preservation of facilities including Oak Grove and North Fork. The increase at North Fork includes inspection and repair of the migrant fish pipe, which moves fish around the powerhouse, and maintaining surrounding Forest Services roads to fulfill licensing obligations. Also, there is a $0.7 million decrease due to the decommissioning of the Bull Run facility. With the removal of the Little Sandy dam and the wood flume, power production at Bull Run will cease in mid-2008.

Q. General production O&M changes by $1.1 million from 2007 to 2009. What are the reasons for this increase?

A. The primary drivers for the increase from 2007 to 2009 are:

- $0.3 million for consultants, primarily to help develop NERC/WECC compliance procedures;
- $0.1 million increase for the newly established Reliability Centered Maintenance (RCM), described below in "Generation Excellence Initiative";
- $0.6 million for additional labor to oversee hydro and wind projects, including hydro licensing, the Selective Water Withdrawal project, and succession planning; and
- $0.1 million for miscellaneous software purchases and upgrades.

Q. Why do power operations O&M costs increase by $3.9 million between 2007 and 2009?

A. There are several reasons why power operations costs increase. First, much of the increase of $1.6 million in power supply and electricity dispatch costs is to meet the requirements of a more complex and regulated environment. This includes the addition of four new FTEs along with the services of at least one wind output forecasting service. These new positions represent one trainer of real-time operators on current and changing compliance regulations, two real-time operators to cover real-time shifts for operators out for training, PTO and other absences, and one FTE primarily responsible for integration of renewable resources into our supply portfolio.

Second, we expect work associated with maintaining existing power supply operations and technology systems to increase by approximately $0.5 million. The power operations IT allocation also increases by $0.5 million. IT allocations are discussed in greater detail in PGE Exhibit 500.

Third, at this time we include an additional $0.8 million to meet the requirements of FERC Orders 890 and 890-A. As a result of these FERC orders, we will no longer be able

- In 2009, $36 million is expected to close to plant at our coal plants. At Boardman, $15 million is to rewind the stator and convert the cooling system and $12 million is for the purchase and storage of a generator spare rotor.
- In 2009, $146 million for hydro relicensing is expected to close to plant. We expect the $81 million Round Butte Selective Water Withdrawal Tower project to close to plant in March 2009 and $65 million for the Westside hydro relicensing project to close to plant in December 2009. The relicensing costs include professional services (e.g., outside consultants, engineering, research, financial, legal, accounting, and purchasing), AFUDC, direct labor, and tax and license fees associated with our Oak Grove and North Fork hydro facilities.

Q. How will the Selective Water Withdrawal Tower (Tower) work?

A. This new intake tower will have two functions. First, by allowing water to be withdrawn from the Round Butte reservoir at a variety of depths, the Tower will create more distinct currents through the reservoir. These currents will guide downstream migrating juvenile salmonids to new fish collection facilities. Second, the Tower will improve water quality, both in the project reservoirs and downstream of the project by directing the warmer surface water from the Crooked River to Round Butte's turbine and the colder water to the downstream outflow. Downstream water temperatures will then be reduced, the lower Deschutes will return to pre-dam conditions, and increase salmon and trout populations should increase.

Q. How do these capital additions closing to plant impact the 2009 test year rate base?

A. All 2007 and 2008 additions are fully included in the 2009 rate base, net of a small amount of depreciation. The Tower will close in March of the test year; therefore, we will an extensive discussion of how relicensing compares very favorably to other resource alternatives, from both expected cost and risk perspectives.

Q. Do the license conditions significantly decrease expected output of the projects?

A. No. Any power output decreases resulting from license conditions will be very minor.

Q. What projects required by the new licenses will PGE have completed by the 2009 test year?

A. At Willamette Falls, we completed construction of the North Fish Bypass in 2006 and the Flow Control Structure in 2007. We plan to remove the Blue Heron Powerhouse in 2008. At Pelton Round Butte, we began construction of the Selective Water Withdrawal Tower in 2007. We expect to finish this project in March 2009.

Q. Do the hydro O&M expenses you discussed in Section III-A of your testimony include costs associated with protection, mitigation, and enhancement measures required by the new long-term licenses?

A. Yes. For example, the hydro O&M figures in Table 1 above include costs required for road maintenance and recreation site improvement at Pelton Round Butte and fish ladder maintenance at Willamette Falls.

Q. What licensing structure supports operation of the Clackamas Project prior to issuance of a new long-term license?

A. The four facilities included in the Clackamas Project were previously covered by two separate long-term licenses for the Oak Grove and North Fork Projects. These licenses expired on August 31, 2006. An "annual license" currently allows the four plants to continue operation under the terms of the Oak Grove and North Fork Project licenses while FERC considers the new long-term Clackamas Project application. If additional "annual

III. Use of Forecasted Test Years

A. Staff's Proposed Capital Expenditure Adjustment (S-5)

Q. Please explain your understanding of Staff's proposal with respect to what is included in test-year capital expenditures?

A. Staff appears to believe that major capital projects that close to plant (i.e., become operational) after January 1, 2009, may not be included in prices because customers will not receive the benefit of those projects when prices go into effect on January 1, 2009. (Staff/100, Owings/23) In other words, Staff's position appears to be that customers' prices may not include those capital expenditures that are not in service on the date when customers purchase electricity. As a result, Staff proposes to exclude from rate base capital expenditures for Boardman, the Selective Water Withdrawal (SWW) Tower, and certain hydro re-licensing costs that are scheduled to be completed during 2009.

Q. Does this reflect good policy?

A. No, In fact, Staff's approach reflects poor regulatory policy. If adopted, Staff's position could prohibit the use of "test years" (either forecasted or historic) as the basis for establishing prices without offering any reasonable alternative framework.

Q. Why do you say that Staff's approach is inconsistent with the use of forecasted "test years" to set prices?

A. The Commission uses "test years" to reflect costs and revenues that will fairly represent the period when prices from the docket will be in effect. For capital expenditures, the test year rate base reflects the average effect of closing the capital expenditures over the course of the year. Because capital expenditures close to plant-in-service at a particular point in time, the component parts of rate base will change over the course of the test-year (forecasted or historic) as the useful life of some capital expenditures are retired throughout the year and new capital expenditures close to plant-in-service throughout the year. Because annual prices are set, invariably, there is a certain mismatch within the year between capital expenditures and customers' usage. Customers paying for service in January will be paying prices that include costs for some capital expenditures that do not close to plant-in-service until later in the year. Similarly, customers paying for service in December will be paying prices that include costs for some capital expenditures that were retired during the test year. The use of average rate base helps to ensure that such mismatches throughout the year are roughly balanced and do not cause undue intergenerational inequities within the test year.[7]

Staff's proposal would require the elimination of average rate base. It would essentially require daily or monthly pricing to ensure that customers pay only for capital expenditures that are used and useful at that specific point within the test year. We believe this is untenable, unjustified, and inconsistent with the Commission's long-standing policy of using test years to set prices.

Q. Staff also claims that there is a legal prohibition against including these costs in prices. Do you agree?

A. We will address this issue in briefs as necessary. However, I am informed by counsel that Ballot Measure 9 applies only to new facilities and does not apply to capital improvements, like the Boardman capital improvements, or other capital expenditures related to generating facilities that are currently used and useful, which is the case with the SWW Tower and the hydro relicensing costs. See UM 989, Order No. 02-227 ("ORS 757.355 does not apply to

[7] The averaging calculation ensures that only a portion of a project's costs are included in rates because rate base reflects only the part of the year in which the project is in service. This also means that absent a rate case in the ensuing year, projects such as the SWW Tower continue to be in rates at only a fraction of their annual revenue requirement impact.

routine construction work in progress attached to an operating plant. Ballot Measure 9, codified as ORS 757.355, was intended to apply to CWIP that reflects preconstruction commercial operating plants, not smaller projects attached to an operating plant").

Q. Staff also claims that PGE's forecasted date for completion of these projects is not accurate or reliable. Do you agree?

A. No. As discussed elsewhere, PGE's forecast is accurate and reliable with respect to the expected completion of the Boardman improvements and PGE has adjusted the expected completion date of the SWW Tower by one month, given more recent information. PGE has removed the hydro relicensing costs from the rate request given that it appears this project may not receive the FERC license during the test year and, hence, be completed.

Q. Does the OPUC have alternatives available to address this issue?

A. Yes. The Commission has the discretion regarding the rate treatment of larger capital projects such as the SWW Tower. PGE believes our proposal is good for customers by limiting the number of rate changes in a year, but we would be willing to track in these projects under the following conditions (similar to Port Westward in UE 180 / UE 181 / UE 184):

- The prudence of the project is already determined in the preceding general rate case.
- The price change will be based on the annualized revenue requirement impact of the project with all associated costs and benefits.
- No further updates will be performed until the next general rate case.

VI. Hydro Relicensing-Related Capital Additions

Q. In PGE Exhibit 400 you took the position that FERC would likely issue a new license for the Clackamas project late in 2009. This was the basis for the initial February 27, 2008, filing assumption that costs incurred to obtain the license would close to book at the end of 2009. However, Staff expresses the view that FERC will not issue a new long-term license for the Clackamas Project until after the 2009 test year. (Staff/100, Owings/21-22). Have you reconsidered the position taken in PGE Exhibit 400?

A. Yes. We are now willing to assume that costs incurred to obtain the license will not close to book until sometime after the end of 2009.

Q. What effect does this have on the test year rate base?

A. Given the "average of averages" methodology used to calculate the test year rate base, the rate base impact is 1/24 of the $65.2 million figure, or approximately $2.7 million. There is no impact on depreciation because none was assumed in PGE's initial February 27, 2008, filing, given the end of 2009 assumption for closure to book.

Q. In PGE's Response to CUB Data Request No. 053, PGE revised its estimated closure date for the Selective Water Withdrawal Structure (SWW), which is a requirement of the new long-term license for the Pelton Round Butte Project. The expected closure date was revised from the end of March 2009 to the end of April 2009. What impact does this change have on rate base and depreciation in the test year?

A. The rate base impact is a decrease of 1/12 of the $80.8 million amount forecasted to close to book, or approximately $6.7 million. The depreciation impact is a decrease of approximately $0.2 million.

Q. Is April 30, 2009 still a reasonable closure date?

A. Yes. We are making good progress on the SWW structure. Erection of the bottom structure component is nearing completion and its placement is scheduled to start in early September and be completed in early November. We expect that the overall SWW structure will be completed prior to April 30, 2009.

Q. Does this conclude your testimony?

A. Yes.

PGE Exhibit 103

The following are the actions prior to, and following, FERC's issuance of a new license:

- PGE and the Tribes filed their Final Joint Application Amendment in June 2001.
- On August 12, 2002, FERC issued the Ready for Environmental Analysis Notice. This notice is FERC's determination that it has sufficient information to analyze the environmental impacts of relicensing the Project. Agencies involved in license negotiations must respond to this notice by providing to FERC their preliminary terms, conditions and recommendations. Agency comments, recommendations and preliminary terms and conditions were filed in November 2002.
- In January 2003, PGE and the Tribes began a multi-party facilitated negotiation process with Parties.
- On August 29, 2003, FERC issued its Draft Environmental Impact Statement.
- In December 2003, PGE and the Tribes filed a description of the Proposed Preferred Alternative with FERC.
- FERC issued its Final Environmental Impact Statement in June 2004.
- Parties signed the Settlement Agreement on July 13, 2004.
- PGE filed the Settlement Agreement with FERC on July 30, 2004.
- FERC issued a new 50-year license on June 21, 2005.

- Some parties filed petitions for rehearing soon after issuance of the new license. The issues that formed the basis for the rehearing request were relatively minor, and not expected to greatly impact license conditions.
- FERC ruled on petitions for rehearing in October 2006. This resulted in no major changes in license conditions.
- PGE filed a license amendment application in early January 2007 to "true up" the fish passage requirements to the latest design.
- PGE began construction of the Selective Water Withdrawal Tower in the summer of 2007.
- PGE made the first significant releases of juvenile salmonids into the tributaries above the dams in the summer of 2007.
- Additional juvenile salmonids were released into the Metolius and Crooked Rivers and into Whychus Creek. Chinooks were released in early March 2008 and Steelheads in May 2008.

PGE Exhibit 104 Pelton Round Butte License is Provided Electronically (CD) Only

PGE Exhibit 105

OPUC Data Request No. 369 (Part e)
Updated: Attachment 369-H

Portland General Electric Company (PGE) constructed Round Butte Dam in the early 1960s, and it continues to operate it today. Currently PGE and the Confederated Tribes of the Warm Springs (Tribes) jointly own the dam. In summer 2005, a new 50-year license was issued through the Federal Energy Regulatory Commission (FERC). The license was issued after a collaborative settlement process spanning many years between PGE, the Tribes, and various state, federal and nongovernmental agencies and organizations.

When Round Butte Dam was constructed, a fish passage system for both upstream and downstream passage was also constructed. After several years of attempting to maintain anadromous runs, however, the downstream fish passage system was determined to be ineffective. As a result, the fish passage system was then abandoned and a hatchery was built.

As part of the new FERC license for the Pelton-Round Butte Hydroelectric Project, PGE and the Tribes have committed to reestablishing the anadromous fish runs above Round Butte Dam. Additionally, the new license demands compliance with water quality requirements of the Clean Water Act (CWA) Section 401 water quality permits issued by the Oregon Department of Environmental Quality (ODEQ) and the Water Quality Board for the Tribes.

The primary reason the fish passage system failed was because it was unable to capture downstream migrating fish in Lake Billy Chinook (LBC). Confounding surface currents in the Round Butte Dam forebay are believed to be at the root of the failure of the original fish passage efforts. The colder water from the Metolius River dives under the warmer water from the Deschutes and Crooked rivers, creating an upstream surface flow in the Metolius arm near the forebay. These currents are believed to attract downstream migrants away from the original fish collection system (FCS) in the forebay.

In addition to the fish passage issue, Round Butte Dam has a detrimental effect on water quality by lowering dissolved oxygen (DO) levels and raising temperatures (particularly in the late summer) in the lower river. To obtain new State of Oregon and Tribal Water Quality Certificates, PGE and the Tribes have committed to installing a selective water withdrawal (SWW) structure at Round Butte Dam. The SWW will both correct the water quality issues and provide effective downstream anadramous fish passage.

At the 25% design stage in late 2004, an early estimate of the then current design concept of a round (cheese wheel) structure indicated that the project was over a budget that was based on information known at that time. In early 2005, a value engineering (VE) study was convened to reassess the project and develop a new concept with the goal of meeting budget requirements and improving constructability. A new SWW design was devolved and required a one-year delay in the project completion.

PROJECT COMPLEXITY

Underwater Construction

- 280' tall structure in 270' water
- Design to require no saturation diving during construction
- Structure must be fully functional through a 20' reservoir fluctuation
- Upper section removal in the event of an emergency requiring drawdown in excess of 20'

Seismic Loads

- Structure must accommodate seismic loading magnified by the internal and external water added mass acting on the structure

- Structure must have a bottom intake fixed to the reservoir floor and a top intake floating independently in order to relieve seismic pressures and other loads.

- Structure must provide the ability to withdraw water from the surface and the bottom and in any combination.

- Structure must essentially be freestanding with no other existing supports to build off of (i.e. RB dam is rock fill gravity dam not a concrete dam that could provide anchorage/support)

Dynamic Loads

- Structure must screen 100% of the powerhouse flows at rapid ramping rates from generator startup to full powerhouse flows (14,000 cfs) and turbine generator trips from full load

Temperature

- Structure must provide the ability to withdraw water from the surface and the bottom and in any combination

Fish Criteria

- Meets all Fish Agency requirements for fish screening (Screen mesh opening size, approach velocity, sweeping velocity, etc.)

Dam Safety

- Structure must not impact the safety of the dam in the event of any postulated events

Design Cost & Schedule Changes (100% of Project)

- One-of-a-kind structure with no precedence
  - Additional design work (SWT $362k, VFC $192k, SWB $300k)
- Scope of work has increased throughout the design process: ($1,600k)
  - Additional Field Investigations
  - Transient Analysis
  - Additional Electrical Design
  - Additional Mechanical Design Support
  - Additional Fish Handling Requirements
  - Additional design support provided to meet construction schedule
  - Concrete Base Float Design
  - Additional physical hydraulic modeling to address agency concerns
- 3D CAD tools added value due to geometric complexity ($160k increase)
- Seismic design criteria changes and complex geometry resulted in increased computerized analytical modeling ($350k)
- Design changes directed at reducing construction costs: net benefit to constructability; however, increased design cost and design schedule ($100k)

Const. Cost & Schedule Changes

- Overall inflation during design and contracting phases ($1,800k)
- Contract scope changes and additions:
  - Competitively bid prices were higher than original quotes:

- Electrical package ($1,712k)
- I&C package ($648k)
- Stainless Steel Fish Screens ($564k)
- VFC/SWB seal interface ($680k)

– Contract additions:

- Rock fall fence ($350k)
- SWB grout bag seals ($400k)

– Increases to the Contract Scope:

- SWT floatation and structure changed and complexity increased ($3,850k)

- SWB: underwater excavation, underwater survey and pile grouting scope & complexity increased ($1,921k)

- SWB structure complexity and weight increase ($2,410k)

- VFC/SWB interface complexity, weight increase, bearing material change and special fabrication now required ($1,340k)

- Bottom Control Gate framing configuration changed ($207k)

- Structure coating requirements and complexity ($1,030k)

Design & Construction Allowance/Contingency

- Allowance for Construction design details ($2,156)
  Finalization of construction means and methods based on final design documents

- Allowance for Metal Fabrication Design ($1,605)
  Design details are added when developing shop fabrication drawings from design drawings

- Contingency for Unknown Geological Conditions ($1,092)

- Allowance for Additional Painting Costs ($699)

Painting estimates are based on material weights rather than surface area. When surface areas can be determined, costs could increase significantly.

- Contingency for Steel Material Cost Escalation ($562)
  Facilitate the prompt ordering of steel materials to avoid future costs increases

- Contingency for Trash rack removal ($500)
  Abandoned trash racks might cause vibration or flow problems necessitating their removal

Willamette Falls, PME measures include the responsibility for fish ladder maintenance. Our Clackamas Project will likely require similar PME measures. We project total relicensing-related O&M costs to be approximately $3 million in 2007 increasing to approximately $7 million in 2009, then decreasing to approximately $3 million in 2015, and generally increasing at 2.5% per year thereafter.

Q. Have you prepared a summary table of costs – both actually incurred and projected – by year and by project?

A. Yes. PGE Exhibit 303 provides this information. Pages 1 and 2 of that Exhibit cover capital and O&M costs respectively.

Q. How do these costs affect the test year revenue requirement?

A. The test year net rate base includes approximately $41.7 million related to relicensing. Given the pre-tax cost of capital of slightly less than 13%, the return requirement is approximately $5.4 million. The test year revenue requirement also includes relicensing-related depreciation and O&M expenses of approximately $1.0 million and $2.9 million respectively, resulting in a total hydro relicensing-related revenue requirement of approximately $9.3 million.

Q. Has PGE decided not to relicense any of its hydro projects?

A. Yes. We decided not to seek a new long-term license for Bull Run, our 22 MW hydro facility located on the Bull Run River, just upstream from its confluence with the Sandy River. We determined that the costs associated with measures necessary to obtain a new long-term license would likely exceed the value of the associated power output.

Q. Have you calculated "per MWh" costs for power to be produced by the relicensed plants?

A. Yes. Our calculations reflect the amounts and timing of all costs – both relicensing and other – related to running the hydro facilities covered by the Pelton Round Butte, Clackamas River, and Willamette Falls Projects through the end of the new license terms. We know that the new Pelton Round Butte and Willamette Falls licenses end in 2055 and 2035 respectively. We assume that the new Clackamas River license will run through 2052.

Using "average water," as explained in PGE Exhibit 400, and on a real levelized 2006 dollar basis, these costs are:

- Pelton $21.83/MWh
- Round Butte $22.66
- Clackamas Project $41.90
- Sullivan $45.26

These are substantially lower than comparable levelized market prices of more than $53/MWh.

Q. What net present values result from your calculations?

A. We expect relicensing to provide customers with the following net present value benefits ($2006 Million):

- Pelton $165
- Round Butte $375
- Clackamas Project $143
- Sullivan $ 14
- Total $697

Q. How does the cost of relicensing hydro resources compare to the cost of other resource alternatives?

A. It compares very favorably. The average cost of the resources that are part of PGE's most recent Commission-acknowledged Final Action Plan is more than $40/MWh, even assuming the gas forward curves used to evaluate the RFP bids and the Port Westward alternative. This average would be substantially greater using current forward curves. We base the net present value calculations on an expected long-term 2006 real levelized market power price of more than $53/MWh.

C. Hydro Relicensing Process

Q. Please describe the new long-term licenses that PGE has obtained or is pursuing.

A. FERC issues licenses for hydro facilities with terms ranging from 30 to 50 years.

Our two Deschutes River developments, Pelton and Round Butte, operated under one long-term license for the Pelton Round Butte Project, which expired at the end of 2001. After expiration of the long-term license, the project operated under "annual licenses." On June 21, 2005, FERC issued a new long-term (50-year) license.

For FERC licensing purposes, PGE's Sullivan facility was designated as the Willamette Falls Project. This project, whose long-term license expired on December 31, 2004, was operating under an "annual license" until December 8, 2005, when FERC issued a new long term (30-year) license.

With respect to the Clackamas River, we plan to renew the long-term license for our Oak Grove, North Fork, Faraday, and River Mill developments. These facilities were originally covered by two licenses, one for the Oak Grove Project, the other for the North Fork Project which includes our North Fork, Faraday, and River Mill plants. The two licenses were recently combined and designated as the Clackamas River Project. The

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE ___

Motion For Approval of Protective Order

Of

Portland General Electric Company

October 24, 2008

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE _____

In the Matter of Revised Tariff Schedules filed by Portland General Electric Company Regarding the Selective Water Withdrawal Project	**MOTION FOR APPROVAL OF PROTECTIVE ORDER [EXPEDITED CONSIDERATION REQUESTED]**

Pursuant to ORCP 36(C)(7) and OAR 860-12-0035(1)(k), Portland General Electric Company ("PGE") requests the issuance of a Protective Order in this proceeding. PGE believes good cause exists for the issuance of such an order to protect confidential market information and confidential business information, plans and strategies. In support of this Motion, PGE states:

1. The workpapers to be filed by PGE in this docket includes confidential, sensitive business information including copies of data responses from Docket UE 197 that were designated confidential under the protective order in that docket. PGE anticipates that there may be requests for further confidential information during this docket as well. While PGE desires to provide the requested information, the information is confidential, sensitive business information and of significant commercial value, and its public disclosure could be detrimental to PGE and its customers.

2. The Commission should therefore issue a Protective Order to protect the confidentiality of that material. The requested order, identical to the one that the Commission customarily issues, is attached.

For the reasons stated above, PGE requests that a protective order be issued in this proceeding.

DATED this 24th day of October 2008.

Respectfully submitted,

Douglas C. Tingey, OSB No. 044366
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC1301
Portland, Oregon 97204

(503) 464-8351 phone
(503) 464-2200 fax
doug.tingey@pgn.com

ORDER NO.

ENTERED

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE____

In the Matter of Revised Tariff Schedules filed by Portland General Electric Company Regarding the Selective Water Withdrawal Project	**ORDER**

DISPOSITION: MOTION FOR PROTECTIVE ORDER GRANTED

On October 24, 2008, Portland General Electric Company ("PGE") filed a Motion for a Protective Order with the Public Utility Commission of Oregon ("Commission"). PGE states that the workpapers accompanying its initial testimony in this docket will contain confidential information including copies of data responses from Docket UE 197 that were designated as confidential under the protective order in that docket. PGE anticipates that there may be requests for further confidential information in this docket. PGE states that good cause exists for the issuance of a protective order to protect confidential business information, plans and strategies. PGE adds that the public release of such information could prejudice PGE and its customers.

Pursuant to OAR 860-012-0035(1)(k), I find that good cause exists to issue a Protective Order, attached as Appendix A. Under the terms of the order, a party may designate as confidential any information that falls within the scope of ORCP 36(C)(7).

Confidential Information shall be disclosed only to a "qualified person" as defined in paragraph 3 of the Protective Order. Authors of the confidential material, the Commission or its Staff, and counsel of record for a party or persons directly employed by counsel are "qualified persons" who may review confidential information. Other persons desiring confidential information must become qualified pursuant to paragraph 10.

To receive confidential information, however, all parties—with the general exception of Staff—must sign the Consent to be Bound Form attached as Appendix B. This includes the party seeking the issuance of the protective order, because any party may designate information as confidential under this order.

The confidentiality of confidential information shall be preserved for a period of five years from the date of the final order in this docket, unless extended by the Commission at the request of the party desiring confidentiality.

All persons who are given access to confidential information have the duty to monitor their own conduct to ensure their compliance with the Protective Order. Such persons shall not use or disclose the information for any purpose other than the preparation for and conduct of this proceeding, and shall take all reasonable precautions to keep the confidential information secure. If any questions exist as to the status of any person to receive confidential information, the parties may contact the Administrative Hearings Division at (503) 378-6678.

ORDER

IT IS ORDERED that the Protective Order, attached as Appendix A, shall govern the disclosure of confidential information in this case.

Made, entered, and effective on ____________________________.

____
[Judge]
Administrative Law Judge

A party may appeal this order to the Commission pursuant to OAR 860-014-0091.

PROTECTIVE ORDER

DOCKET NO. UE _______

Scope of this Order-

1. This order governs the acquisition and use of "Confidential Information" in this proceeding.

Definitions-

2. "Confidential Information" is information that falls within the scope of ORCP 36(C)(7) ("a trade secret or other confidential research, development, or commercial information").

3. A "qualified person" is an individual who is:

a. An author(s), addressee(s), or originator(s) of the Confidential Information;

b. A Commissioner or Commission staff;

c. Counsel of record for a party;

d. A person employed directly by counsel of record; or

e. A person qualified pursuant to paragraph 10. This includes parties and their employees.

Designation of Confidential Information-

4. A party providing Confidential Information shall inform other parties that the material has been designated confidential by placing the following legend on the information:

CONFIDENTIAL
SUBJECT TO PROTECTIVE ORDER

To the extent practicable, the party shall designate as confidential only those portions of the document that fall within ORCP 36(C)(7).

5. A party may designate as confidential any information previously provided by giving written notice to the other parties. Parties in possession of newly designated Confidential

Information shall, when feasible, ensure that all copies of the information bear the above legend to the extent requested by the party desiring confidentiality.

Information Given to the Commission-

6. Confidential Information that is: (a) filed with the Commission or its staff; (b) made an exhibit; (c) incorporated into a transcript; or (d) incorporated into a pleading, brief, or other document, shall be printed on yellow paper, separately bound and placed in a sealed envelope or other appropriate container. An original and five copies each separately sealed shall be provided to the Commission. **Only the portions of a document that fall within ORCP 36(C)(7) shall be placed in the envelope/container**. The envelope/container shall bear the legend:

> THIS ENVELOPE IS SEALED PURSUANT TO ORDER NO. ________ AND CONTAINS CONFIDENTIAL INFORMATION. THE INFORMATION MAY BE SHOWN ONLY TO QUALIFIED PERSONS AS DEFINED IN THE ORDER.

7. The Commission's Administrative Hearings Division shall store the Confidential Information in a locked cabinet dedicated to the storage of Confidential Information.

Disclosure of Confidential Information-

8. Parties desiring receipt of Confidential Information shall sign the Consent to be Bound Form attached as Appendix B. This requirement does not apply to the Commission staff. Confidential Information shall not be disclosed to any person other than a "qualified person," as defined in paragraph 3. When feasible, Confidential Information shall be delivered to counsel. In the alternative, Confidential Information may be made available for inspection and review by qualified persons in a place and time agreeable to the parties or as directed by the Administrative Law Judge.

9. Qualified persons may disclose confidential information to any other qualified person, unless the party desiring confidentiality protests as provided in Section 11.

10. To become a qualified person under paragraph 3(e), a person must:

   a. Read a copy of this Protective Order;

   b. Execute a statement acknowledging that the order has been read and agreeing to be bound by the terms of the order;

   c. Date the statement;

d. Provide a name, address, employer, and job title; and

e. If the person is a consultant or advisor for a party, provide a description of the nature of the person's consulting or advising practice, including the identity of his/her current, past, and expected clients.

Counsel shall deliver a copy of the signed statement including the information in (d) and (e) above to the party desiring confidentiality and to all parties of record. Such notification may be made via e-mail or facsimile. A person qualified under paragraph 3(e) shall not have access to Confidential Information sooner than five (5) business days after receipt of a copy of the signed statement including the information in (d) and (e) above by the party desiring confidentiality.

11. All qualified persons shall have access to Confidential Information, unless the party desiring confidentiality protests as provided in this paragraph. The party desiring to restrict the qualified person(s) from accessing specific Confidential Information must provide written notice to the qualified person(s) and counsel for the party associated with the qualified person(s) as soon as the party becomes aware of reasons to restrict access. The parties must promptly confer and attempt to resolve any dispute over access to Confidential Information on an informal basis before filing a motion with the Administrative Law Judge. If the dispute cannot be resolved informally, either party may file a motion with the Administrative Law Judge for resolution. Either party may also file a motion if the other party does not respond within five days to a request to resolve the dispute. A motion must describe in detail the intermediate measures, including selected redaction, explored by the parties and explain why such measures do not resolve the dispute. After receipt of the written notice as required in this paragraph, the specific Confidential Information shall not be disclosed to the qualified person(s) until the issue is resolved.

Preservation of Confidentiality-

12. All persons who are given access to any Confidential Information by reason of this order shall not use or disclose the Confidential Information for any purpose other than the purposes of preparation for and conduct of this proceeding, and shall take all reasonable precautions to keep the Confidential Information secure. Disclosure of Confidential Information for purposes of business competition is strictly prohibited.

Qualified persons may copy, microfilm, microfiche, or otherwise reproduce Confidential Information to the extent necessary for the preparation and conduct of this proceeding. Qualified persons may disclose Confidential Information only to other qualified persons associated with the same party.

Duration of Protection-

13. The Commission shall preserve the confidentiality of Confidential Information for a period of five years from the date of the final order in this docket, unless extended by the Commission at the request of the party desiring confidentiality. The Commission shall notify the party desiring confidentiality at least two weeks prior to the release of confidential information.

Destruction After Proceeding-

14. Counsel of record may retain memoranda, pleadings, testimony, discovery, or other documents containing Confidential Information to the extent reasonably necessary to maintain a file of this proceeding or to comply with requirements imposed by another governmental agency or court order. The information retained may not be disclosed to any person. Any other person retaining Confidential Information or documents containing such Confidential Information must destroy or return it to the party desiring confidentiality within 90 days after final resolution of this proceeding unless the party desiring confidentiality consents, in writing, to retention of the Confidential Information or documents containing such Confidential Information. This paragraph does not apply to the Commission or its Staff.

Appeal to the Presiding Officer-

15. If a party disagrees with the designation of information as confidential, the party shall contact the designating party and attempt to resolve the dispute on an informal basis. If the parties are unable to resolve the dispute, the party desiring to use the information may move for exclusion of the information from the protection conferred by this order. The motion shall:

a. Specifically identify the contested information, and

b. Assert that the information does not fall within ORCP 36(C)(7) and state the reasons therefore.

The party resisting disclosure has the burden of showing that the challenged information falls within ORCP 36(C)(7). If the party resisting disclosure does not respond to the motion within ten (10) calendar days, the challenged information shall be removed from the protection of this order.

The information shall not be disclosed pending a ruling by the Administrative Law Judge on the motion.

Additional Protection-

16. The party desiring additional protection may move for any of the remedies set forth in ORCP 36(C). The motion shall state:

a. The parties and persons involved;

b. The exact nature of the information involved;

c. The exact nature of the relief requested;

d. The specific reasons the requested relief is necessary; and

e. A detailed description of the intermediate measures, including selected redaction, explored by the parties and why such measures do not resolve the dispute.

The information need not be released and, if released, shall not be disclosed pending the Commission's ruling on the motion.

ORDER NO.

SIGNATORY PAGE

DOCKET NO. UE _____

I. Consent to be Bound-

This Protective Order governs the use of "Confidential Information" in this proceeding.

__________________________PGE agrees to be bound by its terms of this Protective Order.

By: ________________________________ ________________________________

Signature & Printed Date

____

II. Persons Qualified pursuant to Paragraphs 3(a) through 3 (d)

________________________________PGE identifies the following person(s) automatically qualified under paragraph 3(a) through (d).

________________________________ ________________________________

Printed Date

________________________________ ________________________________

Printed Date

________________________________ ________________________________

Printed Date

________________________________ ________________________________

Printed Date

________________________________ ________________________________

Printed Date

________________________________ ________________________________

Printed Date

III. Persons Qualified pursuant to Paragraph 3(e) and Paragraph 10.

I have read the Protective Order, agree to be bound by the terms of the order, and will provide the information identified in paragraph 10.

By: ______________________________ ______________________________
Signature & Printed Date

____

By: ______________________________ ______________________________
Signature & Printed Date

____

By: ______________________________ ______________________________
Signature & Printed Date

____

By: ______________________________ ______________________________
Signature & Printed Date

____

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE ___

Pretrial Brief

Of

Portland General Electric Company

October 24, 2008

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE ___

In the Matter of the Revised Tariff Schedules filed by PORTLAND GENERAL ELECTRIC COMPANY Regarding the Selective Water Withdrawal Project	))))	**PRETRIAL BRIEF OF PORTLAND GENERAL ELECTRIC COMPANY**

This case is Portland General Electric Company's ("PGE") request to revise its tariff schedules pursuant to ORS 757.205 and ORS 757.220. This brief is submitted to meet the requirements of OAR 860-013-075.

I. DISCUSSION

This case is exclusively about bringing into service for customers the Selective Water Withdrawal ("SWW") capital additions at the Pelton Round Butte hydro generation facility, and reflecting the related costs in prices. The Pelton Round Butte Project consists of three developments on the Deschutes River. PGE has majority ownership in two of these developments. PGE's share of the capability of this hydro generating project is 298 MW. PGE's long-term license to operate the plants expired in 2001. The plants were operated under annual licenses until in 2005 the Federal Energy Regulatory Commission issued a new 50-year license to PGE and the other project owner. The new license was the result of a lengthy, multi-party process at FERC. Construction of the SWW is a requirement of this new license.

PGE included the SWW project costs in its original filing in Docket UE 197, PGE's 2009 test-year rate case. In one of the Stipulations entered into in UE 197 the stipulating parties agreed as follows:

> The inclusion in rates of the SWW project capital additions and related expenses including depreciation and property tax expense, will be the subject of a separate docket to be initiated on or before October 31, 2008. The inclusion of the SWW project capital additions and related expenses will be the only issues in this separate docket. The Stipulating Parties agree to propose a schedule and to make a good-faith effort to complete the SWW docket that will allow for a Commission decision such that rates that include recovery of approved costs from the SWW docket may be effective the later of May 1, 2009, or when the SWW project is closed to plant for accounting purposes. The Stipulating Parties further agree to work together in good faith throughout the SWW docket to maintain the schedule.

Stipulation Regarding Certain Revenue Requirement and Tariff Issues, Docket UE 197, ¶(2)(b)(2), filed October 9, 2008. (The parties to this Stipulation are Staff of the Public Utility Commission, the Citizens' Utility Board, the Industrial Customers of Northwest Utilities, and PGE. The Commission has not yet ruled on the Stipulation, or other issues in Docket UE 197.)

PGE has filed this case in compliance with that agreement. Pursuant to that agreement, PGE does not seek re-examination of the costs and issues addressed in Docket UE 197. PGE's request is limited to the inclusion in rates of the capital additions and related expenses, including depreciation, of the SWW when it comes into service. The revenue requirement impact of the SWW is $12.9 million. All other test-year expenses and revenues will be unchanged by this docket.

Submitted with this brief is testimony describing the SWW, the FERC licensing process and requirements, and the costs at issue. The testimony also includes as exhibits PGE's testimony in UE 197 regarding the SWW. All data requests and PGE's responses in UE 197 regarding the SWW are included in the work papers provided with the testimony.

Consistent with the UE 197 Stipulation, PGE requests that a schedule be adopted in this docket to allow for a Commission decision such that rates including the approved costs of the SWW project may be effective the later of May 1, 2009, or when the SWW project is closed to plant. The SWW is currently projected to close to plant in late April 2009.

This filing is intended to be a general rate proceeding or other general rate revision under OAR 860-022-0041. The order in this docket will reset the ratios used in the calculation of "taxes authorized to be collected in rates" as used in that rule. PGE's testimony addresses this calculation.

Attached as Exhibit 1 is the information required by OAR 860-013-075. The revenue requirement shown on that exhibit is the revenue requirement sought by PGE in Docket UE 197, as described in its sur-surrebuttal testimony, plus the SWW related revenue requirements. The revenue requirement numbers use the cost of capital and capital structure stipulated to in Docket UE 197, which are the same as those approved by the Commission in Order 07-015 in Docket UE 180. The exhibit also shows the ratebase increase attributable to the SWW, the results of operation before and after the proposed supplemental tariff, and the effect of the proposed rate change on customer classes. The overall rate change for the SWW project costs is approximately 0.8%.

II. TESTIMONY

PGE's testimony and exhibits demonstrate that the Commission should approve this Application. The rates and tariffs proposed will result in rates that are just and reasonable. PGE is introducing one piece of testimony, Exhibit 100, sponsored by the following witnesses: Julie Keil, Stephen Schue, and Patrick Hager. As stated above, testimony originally filed in Docket

UE 197 is also included as an exhibit to the testimony in this docket. The submitted testimony describes the SWW project, the FERC licensing process, the required capital additions, and the revenue requirement of these costs. The submitted testimony shows that the SWW costs are prudent and should be included in rates.

III. REQUEST FOR APPROVALS

PGE requests that the Commission issue an order:

(1) Approving the requested rate changes; and

(2) Approving the proposed supplemental tariff;

Dated this 24th day of October, 2008.

Respectfully submitted,

DOUGLAS C. TINGEY, OSB No. 044366
Portland General Electric Company
121 SW Salmon Street, 1WTC1300
Portland, Oregon 97204
Telephone: 503-464-8926
Fax: 503-464-2200
E-Mail: doug.tingey@pgn.com

Exhibit 1

Case Summary

($000)

Total Revenue Requirement	1,761,327
Change in Revenues Requested	
Total Change in Revenues Requested	12,875
Total Change net of RPA	12,875
Percent Change in Base Revenues Requested	0.8%
Percent Change net of RPA	0.8%
Test Period	5/01/09-4/30/2010
Requested Rate of Return on Capital (Rate Base)	8.33%
Requested Rate of Return on Common Equity	10.1%
Proposed Rate Base	2,361,584
Results of Operation	
A. Before Price Change	
Utility Operating Income	190,385
Average Rate Base	2,284,568
Rate of Return on Capital	8.01%
Rate of Return on Common Equity	9.45%
B. After Price Change	
Utility Operating Income	196,803
Average Rate Base	2,361,584
Rate of Return on Capital	8.33%
Rate of Return on Common Equity	10.1%
Net Effect of Proposed Price Change	
A. Residential Customers	0.7%
B. Small Non-residential Customers	0.7%
C. Large Non-residential Customers	0.9%
D. Lighting & Signal Customers	0.4%
Notes: (1) Utility income and rate base are at levels requested in UE 197, (2) Percent Changes are on a cycle basis for Cost of Service Customers	