



DEPARTMENT OF JUSTICE  
GENERAL COUNSEL DIVISION

October 19, 2016

Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, OR 97302-1166  
PUC.FilingCenter@state.or.us

**Re: UM 1789 – Errata Filing**

Dear UM 1789 Parties:

The Public Utility Commission of Oregon Staff (Staff) makes a correction to Staff's Reply Testimony with this errata filing as follows:

- Staff/200/Gibbens/20 at line 13-14: any amount "that PGE was over-earning would be carried forward as revenue to offset costs in the following year" was replaced with any amount "absorbed due to over-earnings would occur prior to revenue offsetting."
- This change is made to clarify Staff's position that annual over-earnings not absorbed by annual prudent costs would remain with the Company, rather than be carried forward to offset prudent costs in the following year.

The replacement page reflecting the errata change is attached in redacted form. A confidential version has been mailed to the parties that have signed Protective Order No. 16-270.

If you have any questions about this errata filing, please do not hesitate to contact me.

Sincerely,

Kaylie E. Klein  
Assistant Attorney General  
Business Activities Section

KK7#7750309  
Attachments  
cc: UM 1789 Service List

1 threshold for application of the earnings test. Staff arrives at \$5.5 million given  
2 that [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]

6 [REDACTED] Staff's proposal benefits from its simplicity, if costs exceeded \$5.5  
7 million in one year, the earnings test would be triggered. By contrast, under  
8 PGE's proposal, high costs and high allocated revenues in one year would  
9 offset each other prior to application of an earnings review, thus, only a small  
10 portion of total costs would be subject to the earnings review and potentially  
11 absorbed by the Company. In sum, Staff supports a scenario in which all but  
12 \$5.5 million in costs would be subject to an earnings review, and any amount  
13 absorbed due to over-earnings would occur prior to revenue offsetting.

14 //

15 **Q. Please discuss the alternatives to PGE's PHERA mechanism that Staff**  
16 **examined.**

17 A. To examine alternatives in the design of the PHERA mechanism, Staff looked  
18 at two separate design proposals against PGE's proposed mechanism. The  
19 first model is the model described on the previous page of my testimony. The  
20 model has a flat \$5.5 million guaranteed recovery in every year with no  
21 offsetting of revenues prior to an earnings review. For the second alternative,  
22 Staff analyzed the effects of implementing at a 90-10 cost and revenue sharing  
23 mechanism. In UM 1635, Staff proposed a sharing mechanism that worked by

CERTIFICATE OF SERVICE

UM 1789

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 19th day of October, 2016 at Salem, Oregon



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Kay Barnes  
Public Utility Commission  
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Telephone: (503) 378-5763

UM 1789  
SERVICE LIST

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