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**Douglas C. Tingey**  
Assistant General Counsel

June 23, 2010

***Via Electronic Filing and U.S. Mail***  
Oregon Public Utility Commission  
Attention: Filing Center  
550 Capitol Street NE, #215  
PO Box 2148  
Salem OR 97308-2148

**Re: UE \_\_ - 2009 Annual Power Cost Variance Mechanism**

Attention Filing Center:

Enclosed for filing in the above-captioned docket please find the following:

Original and five copies of testimony of:

- **Alex Tooman and Jay Tinker (PGE/100-102, PGE/104)**

Original and three copies of:

- **Work Papers (non-confidential portions only)**

Original and one copy of:

- **Portland General Electric Company's Motion for Protective Order [with Proposed Protective Order]**

Exhibit PGE/103C is confidential and will be submitted, along with the confidential work papers, after entry of a Protective Order. PGE is not including a tariff change with this filing but will make a compliance filing shortly after the Commission Order.

These documents are being filed electronically. Hard copies will be sent via U.S. mail. An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,


**DOUGLAS C. TINGEY**  
Assistant General Counsel

DCT:cbm  
Enclosures  
cc: UE 211 Service List

## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **2009 POWER COST ADJUSTMENT TESTIMONY, EXHIBITS, WORK PAPERS, AND MOTION FOR APPROVAL OF PROTECTIVE ORDER [WITH PROPOSED PROTECTIVE ORDER]** 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 211.

Dated at Portland, Oregon, this 23<sup>rd</sup> day of June, 2010.

  
\_\_\_\_\_  
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OPUC DOCKET UE 211

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

**Motion for Approval of  
Protective Order**

**PORTLAND GENERAL ELECTRIC COMPANY**

**June 23, 2010**

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE \_\_\_\_\_

In the Matter of Portland General Electric  
Company's Application for Annual  
Adjustment to Schedule 126 Under the Terms  
of the Annual Power Cost Variance  
Mechanism

**MOTION FOR PROTECTIVE ORDER**

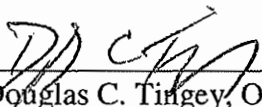
Pursuant to ORCP 36(C)(7) and OAR 860-12-0035(1)(k), Portland General Electric Company ("PGE") requests the issuance of a Protective Order in this proceeding. PGE believes good cause exists for the issuance of such an order to protect confidential market information and confidential business information,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

1. Along with this motion, PGE has filed its 2009 Annual Power Cost Variance under Tariff Schedule 126. PGE has filed testimony regarding the power cost variance, and the operation of the mechanism to the 2009 power cost variance. An exhibit to the testimony and the work papers that support the testimony filed by PGE in this docket include confidential, sensitive business information, including PGE's timing of and prices for electricity purchases and sales, fuel purchases and other contracts. PGE anticipates that there may be requests for further confidential information during this docket as well. PGE desires to provide the requested information, but 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 23<sup>rd</sup> day of June, 2010.

Respectfully submitted,

  
\_\_\_\_\_  
Douglas C. Tingey, OSB No. 044366  
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ORDER NO.

ENTERED

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UE \_\_\_\_

In the Matter of Portland General Electric  
Company's Application for Adjustment to  
schedule 126 Under the Terms of the Annual  
Power Cost Variance Mechanism

**ORDER**

**DISPOSITION: MOTION FOR PROTECTIVE ORDER GRANTED**

On June 23, 2010, Portland General Electric Company ("PGE") filed a Motion for a Protective Order with the Public Utility Commission of Oregon ("Commission") in this docket. PGE states that an exhibit to the testimony and the work papers supporting its testimony in this docket contain confidential information including PGE's timing of and prices for electricity purchase and sales, fuel purchases and other contracts. 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.

ORDER NO.

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.

**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 \_\_\_\_  
2009 PCAM**

**PORTLAND GENERAL ELECTRIC COMPANY**

**Direct Testimony and Exhibits**



**Portland General Electric**

**June 23, 2010**



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**I. Introduction**

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

2 A. My name is Alex Tooman. I am a project manager for PGE. I am responsible, along with  
3 Mr. Tinker, for the development of PGE's revenue requirement forecast. In addition, my  
4 areas of responsibility include results of operations reporting, affiliated interest filings, and  
5 other regulatory analyses.

6 My name is Jay Tinker. I am also a project manager for PGE. My areas of  
7 responsibility include revenue requirement and other regulatory analyses.

8 Our qualifications appear at the end of this testimony.

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

10 A. The purpose of our testimony is two-fold. First, we describe the 2009 Power Cost Variance  
11 (PCV), including base and actual power costs. Second, we describe how we determined the  
12 deferred amount for power costs using the power cost adjustment mechanism (PCAM)  
13 authorized by the Oregon Public Utility Commission (OPUC or Commission) in Order No.  
14 07-015 (Docket UE 180) and established in PGE Schedule 126. In summary, because the  
15 annual variance of \$16.7 million (i.e., actual power costs greater than forecasted power  
16 costs) is entirely within the power cost deadbands, the 2009 PCV and deferral are zero.

17 **Q. Please summarize the process used in the PCAM.**

18 A. The first step in the process compares PGE's actual unit net variable power costs (NVPC)  
19 with our Base Unit NVPC and then multiplies the difference by actual load to determine an  
20 Annual Variance. We then apply an asymmetrical power cost deadband to the Annual  
21 Variance followed by 90-10 sharing between customers and shareholders to develop the  
22 PCV (see Order No. 07-015, page 26). After this, we apply a symmetrical return on equity

1 (ROE) deadband to an earnings test to determine whether the final PCV should be collected  
2 from or refunded to customers (see PGE Exhibit 101 for a summary of the PCV calculation).  
3 If there is a collection from or refund to customers, this amount is then posted to PGE's  
4 PCV account where it will accrue interest at PGE's authorized rate of return (until the  
5 Commission approves amortization). Finally, if there is a collection from or refund to  
6 customers, PGE would amortize the PCV balance through Schedule 126, which is an  
7 Automatic Adjustment Clause as defined in ORS 757.210.

8 **Q. What is the PCV for 2009?**

9 A. For 2009, actual power costs were above base power costs, resulting in an Annual Variance  
10 of approximately \$16.7 million.<sup>1</sup> Because this amount is within the specified power cost  
11 deadbands, the PCV is zero and neither the sharing percentages nor an earnings test are  
12 applicable. For completeness, we note that our 2009 regulated adjusted ROE was 8.26%,  
13 which is below our authorized ROE less 100 basis points or 9.0%. (PGE Exhibit 102  
14 provides the earnings test results for 2009.)

15 **Q. Are there Minimum Filing Requirements (MFRs) associated with the PCAM?**

16 A. Yes. In PGE's 2007 PCAM (Docket No. UE 201), parties agreed to MFRs for future  
17 PCAMs. The MFRs specify that work papers to PGE's PCAM filing include the following:

- 18 • Monthly transaction-level detail by ledger number that is used to summarize actual  
19 power costs as provided in PGE Exhibit 103C.
- 20 • Detail regarding PGE's out-of-period adjustments.

21 As specified, work papers to this filing include the required documentation.

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

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<sup>1</sup> In our testimony, credit amounts are signified as (\$\_\_\_\_).

- 1 A. We begin by describing in greater detail how PGE calculated the PCV as determined by the  
2 Annual Variance and the power cost deadband. We then briefly describe PGE's PCAM  
3 earnings review although it is not applicable for 2009. The last section contains our  
4 qualifications.

## II. Calculation of PCV

### A. Base Power Costs

1 **Q. What is the first step in calculating the PCV?**

2 A. The first step is to identify PGE's base NVPC, which are based on the final power cost  
3 forecasts that PGE created for UE 197 (2009 general rate case filing) using our power cost  
4 forecasting model, Monet.<sup>2</sup> The Monet result establishes the unadjusted base NVPC of  
5 approximately \$848.4 million for 2009.

6 **Q. Did you apply any adjustments to derive these base costs?**

7 A. Yes. From the unadjusted base NVPC, we reduced power costs by another \$2.4 million to  
8 recognize steam sales from our Coyote Springs plant (as forecasted in UE 197). We applied  
9 this adjustment as directed by the Commission in Order No. 07-015 to achieve adjusted base  
10 power costs.

11 **Q. Did you apply an adjustment for Ancillary Service Revenues as also directed by  
12 Commission in Order No. 07-015?**

13 A. No. Because this revenue was incorporated directly into the Monet base power costs as filed  
14 in UE 197, there is no additional adjustment necessary to calculate the 2009 PCV.

15 **Q. Did you apply any other adjustments to the Monet output?**

16 A. Yes. PGE reduced power costs related to the additional 56 MWa of 2009 direct access and  
17 variable price option load that had not been identified at the time the final Monet runs were  
18 prepared in November 2008. This reduced base power costs by another \$26.5 million (and,  
19 of course, it also reduced the base loads used to determine unit NVPC).

---

<sup>2</sup> PGE has described the Monet model in the last five general rate proceedings (i.e., UE 115, UE 180, UE 188, UE 197, and UE 215) as well as the previous RVM filings (Resource Valuation Mechanism – UE 139, UE 149, UE 161, and UE 172) and AUT filing (Annual Update Tariff – UE 192 and UE 208). Consequently, we incorporate those descriptions by reference.

1 Q. What were the final base NVPC?

2 A. After the adjustments described above, base NVPC for 2009 were approximately \$819.5  
 3 million.

**B. Actual Power Costs**

4 Q. What is the next step in calculating the PCV?

5 A. The next step is to calculate PGE's actual NVPC for 2009. We begin this step by  
 6 identifying PGE's variable power costs as charged to the following FERC accounts: 501,  
 7 547, 555, and 565. We then include the amount of sales for resale, as charged to FERC 447.  
 8 For 2009, this net amount is \$814.5 million. To this amount, we apply a number of  
 9 adjustments as listed in Table 1, and described below.

**Table 1**

**Adjustments to Actual 2008 Power Costs (\$000)**

Actual NVPC per financial statements (see Exhibit 103C)		\$814,518
Excluded Items per Schedule 126:		
FAS 133/71, mark-to-market deferrals	subtract	228
Credit reserve activity	subtract	(565)
Out of period items	subtract	(115)
Other Excluded Items		
Biglow Canyon 2 net benefits	subtract	(8,712)
Green power costs billed directly to customers	subtract	7,378
Direct access 2008 deferral amortization		2,769
Colstrip WECO deferral amortization		869
Items to Include		
Coyote steam sales	add	(2,098)
Fuel Sales:		
Gas	add	80
Oil	add	(7,568)
Transmission resale revenues	add	(5,562)
Biglow availability credit	add	126
Energy revenues for variable price option customers	add	<u>(4,229)</u>
Adjusted Actual NVPC		\$793,417

1 **Q. Please describe the adjustments PGE applied to its actual NVPC per Schedule 126.**

2 A. PGE applied several adjustments that are specifically identified in Schedule 126. First, PGE  
3 removed the following items:

- 4 • A charge of \$228,000 for activity associated with FAS 133/71 mark-to-market  
5 deferrals. This charge is offset in the credit reserve line that follows.
- 6 • A credit of (\$565,000) for reserve activity related to non-retail customers during the  
7 PCAM period.
- 8 • A credit of (\$115,000) for out-of-period items.

9 **Q. Did PGE exclude any other items?**

10 A. Yes. PGE also removed the following:

- 11 • A credit of (\$8.7 million) for Biglow Canyon 2 net benefits. Because the 2009  
12 costs and benefits of Biglow Canyon 2 were deferred according to the renewable  
13 adjustment clause provisions of Tariff Schedule 122, they are specifically  
14 excluded from the 2009 PCAM calculations. (see also Commission Order No.  
15 09-398 in Docket UE 209).
- 16 • \$7.4 million for green power expenses that are billed directly to customers  
17 through Schedules 7 and 32. Consequently, they should not be included when  
18 calculating the PCV.
- 19 • A charge of \$2.8 million for the 2008 direct access deferral amortization. This  
20 charge was recorded to FERC account 447 (PGE ledger M22119) and represents  
21 the deferral of incremental power costs associated with the large non-residential  
22 load shift true up. This charge is recovered through a supplemental schedule.

- 1           • A charge of \$869,000 for the Colstrip Western Energy Company (WECO)  
2           deferral amortization. This charge was recorded to FERC account 501 (PGE  
3           ledger N21221) and represents the deferral of prior year federal and state taxes  
4           and royalty payments. This charge is recovered through a supplemental schedule.

5   **Q. What other adjustments did PGE make to actual NVPC?**

6   A. PGE included the following items that are specifically identified in Schedule 126:

- 7           • A credit of (\$2.1 million) for actual steam sale revenues from the Coyote Springs  
8           1 plant.
- 9           • A charge of \$80,000 for gas resale margin.
- 10          • A credit of (\$7.6 million) for oil resale revenues. This credit occurred because  
11          PGE reduced its permanent oil inventory as part of our effort to replace existing  
12          oil with a lower sulphur-content oil.
- 13          • A charge of \$126,000 for the Biglow Canyon 1 availability adjustment. This  
14          charge is an adjustment to the credit listed in the 2008 PCAM, UE 211, PGE  
15          Exhibit 100, page 7, line 1.
- 16          • A credit of (\$4.2 million) for energy revenues from variable price option  
17          customers.
- 18          • A credit of (\$5.6 million) for transmission resale revenues.

19   **Q. Why did you include a credit for transmission resale revenues in actual power costs?**

20   A. We did so because it is similar to gas and oil resales. In all of these categories, the  
21   associated fuel and wheeling expense is in power costs but the resale revenue is recorded in  
22   Other Revenue. To correctly reflect the net power costs associated with these categories, we  
23   adjust power costs to reflect the resale revenue. Because these resale amounts are highly



1 variable from year to year, and in the case of gas and oil, can be both positive and negative,  
2 we do not forecast them in base power costs.

3 **Q. Are Sales of Ancillary Services included in actual NVPC?**

4 A. Yes. Actual revenues from sales of ancillary services of approximately \$812,000 are  
5 included as a credit to actual NVPC included in our financial statements (i.e., in FERC  
6 account 447).

7 **Q. What were the final actual NVPC?**

8 A. After all the adjustments described above, final actual NVPC total is approximately \$793.4  
9 million.

### C. Unit Power Costs and Annual Variance

10 **Q. What is the next step in calculating the PCV?**

11 A. The next step is to unitize the base and actual NVPC so as to calculate a unit NVPC  
12 variance. To accomplish this, we divide base NVPC and actual NVPC by base loads and  
13 actual loads. In both cases, we use retail cost of service loads. The unit NVPC variance is  
14 calculated by subtracting base unit NVPC from actual unit NVPC. We perform this step to  
15 eliminate the power cost variance that would arise from changes in load.

16 **Q. What is the unit NVPC variance and how do you calculate the Annual Variance?**

17 A. Although PGE Exhibit 101 lists the PCV on a monthly basis, the unit NVPC variance for  
18 purposes of the PCAM is based on annual amounts. For 2009, the unit NVPC variance is  
19 approximately \$0.97 per MWh. We then calculate the Annual Variance by multiplying the  
20 unit NVPC variance times actual load. This produces an Annual Variance of approximately  
21 \$16.7 million.

D. PCV

1 **Q. What is the final step in calculating the PCV?**

2 A. The final step is to apply the deadbands and sharing percentages (if applicable) to the  
3 Annual Variance. Because we focus on the earnings test and ROE deadband in the next  
4 section, we only discuss the power cost deadband here.

5 **Q. What is the power cost deadband?**

6 A. The power cost deadband is asymmetrical such that it will “range from 75 basis points ROE  
7 below the base level of NVPC included in rates, to 150 basis points ROE above”  
8 (Commission Order No. 07-015, page 26). Because PGE realized actual power costs above  
9 base power costs in 2009, we use the 150 basis point ROE, resulting in a deadband of  
10 approximately \$29.4 million.

11 **Q. How do you calculate the deadband?**

12 A. We do so according to the provisions of Commission Order No. 07-015 that established the  
13 PCAM in UE 180. The specific calculation is provided in our work papers and consists of  
14 PGE’s currently authorized rate base times our approved equity share to produce the  
15 applicable equity share of rate base. This amount is then multiplied by:

- 16 • +1.50 % for the after-tax deadband related to actual power costs greater than base  
17 power costs; and  
18 • -0.75% for the after-tax deadband related to actual power costs less than base power  
19 costs.

20 These amounts are then multiplied by a gross-up factor to derive the pre-tax deadbands,  
21 which are then compared to the Annual Variance.

22 **Q. What was the final PCV after application of sharing percents?**

- 1 A. Because the deadband amount of \$29.4 million is greater than PGE's annual variance of  
2 \$16.7 million, we do not apply sharing percentages to determine a final PCV. As such, PGE  
3 will absorb the entire variance.

### III. Earnings Review

1 **Q. Has PGE performed an earnings review with which to calculate the ROE deadbands?**

2 A. Yes; although the annual variance lies entirely within the power cost deadband and makes  
3 the application of the ROE deadband moot. We performed this review initially as part of  
4 our annual requirement to provide a Results of Operations (ROO) Report to the OPUC Staff,  
5 which we submitted on June 1, 2010. Because the ROO incorporates all aspects of the  
6 PCAM earnings review, PGE uses it as the basis for the ROE deadband. We include it as  
7 PGE Exhibit 102.

8 **Q. What is the ROE deadband?**

9 A. The ROE deadband is +/-100 basis points of PGE's authorized ROE, which for 2009 is  
10 10.0% (Commission Order No. 09-020). This means that if PGE's earnings are within 9.0%  
11 and 11.0%, PGE absorbs the entire PCV. If PGE's earnings are below 9.0%, then we would  
12 collect the PCV up to the point where the ROE is 9.0%. Alternatively, if PGE's earnings are  
13 above 11.0%, then we would refund the PCV down to the point where the ROE is 11.0%.

14 **Q. What was PGE's final 2009 ROE including the PCV?**

15 A. PGE's final 2009 ROE was 8.26%,<sup>3</sup> which is below the 9.0% lower deadband threshold. As  
16 noted in Section II.D. above, the annual variance is within the power cost deadbands, so no  
17 PCV is subject to the earnings review. Consequently, there is no customer collection (or  
18 refund) associated with the 2009 PCAM.

19 **Q. Does PGE provide earnings test ROE results that separately identify the impact of the**  
20 **PCAM amount as specified in item 4 of the UE 201 stipulation (see Commission Order**  
21 **No. 08-551).**

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<sup>3</sup> This is the earnings test result that includes the relevant adjustments from Commission Order No. 09-020 and the OPUC letter regarding the calculation of ROOs dated March 25, 1992.

- 1 A. Yes. PGE Exhibit 104 provides the stipulated ROE results; however, because the final 2009
- 2 PCAM amount equaled zero, there is no impact from this entry.
- 3 **Q. What is the rate impact of the 2009 PCAM?**
- 4 A. There is no rate impact associated with the 2009 PCAM.

**IV. Qualifications**

1 **Q. Mr. Tooman, please state your educational background and experience.**

2 A. I received a Bachelor of Science degree in Accounting and Finance from the Ohio State  
3 University in 1976. I received a Master of Arts degree in Economics from the University of  
4 Tennessee in 1993 and a Ph.D. in Economics from the University of Tennessee in 1995. I  
5 have held managerial accounting positions in a variety of industries and have taught  
6 economics at the undergraduate level for the University of Tennessee, Tennessee Wesleyan  
7 College, Western Oregon University, and Linfield College. Finally, I have worked for PGE  
8 in the Rates and Regulatory Affairs department since 1996.

9 **Q. Mr. Tinker, please state your educational background and experience.**

10 A. I received a Bachelor of Science degree in Finance and Economics from Portland State  
11 University in 1993 and a Master of Science degree in Economics from Portland State  
12 University in 1995. In 1999, I obtained the Chartered Financial Analyst (CFA) designation.  
13 I have worked in the Rates and Regulatory Affairs department since 1996.

14 **Q. Does this complete your testimony?**

15 A. Yes.

**List of Exhibits**

<b><u>PGE Exhibit</u></b>	<b><u>Description</u></b>
101	Summary Calculation of PCV
102	2009 Results of Operations as filed June 1, 2010
<b>103C</b>	<b>Actual Power Costs by Month and PGE Ledgers</b>
104	2009 Results of Operations with segregated PCAM amount

PGE Power Cost Variance Mechanism (PCAM-A) WITH FINAL VPO REVS, BDMN DFRLL ADJ, WHLG RESALE

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
BASE MONET NVPC (\$000S)													
MONET NVPC (Nov14, Pre-Selection)	\$ 84,929	\$ 72,168	\$ 77,033	\$ 64,712	\$ 60,639	\$ 59,835	\$ 64,198	\$ 67,240	\$ 62,345	\$ 72,875	\$ 80,116	\$ 88,350	\$ 848,441
Adjust from MONET to ORDER NVPC No outboard adjustments for 2009													\$
ORDER NVPC (PRE-SELECTION)	\$ 84,929	\$ 72,168	\$ 77,033	\$ 64,712	\$ 60,639	\$ 59,835	\$ 64,198	\$ 67,240	\$ 62,345	\$ 72,875	\$ 80,116	\$ 88,350	\$ 848,441
Adjust from ORDER to BASE NVPC													
Coyote Steam Sales in GRC - Other Rev	\$ (201)	\$ (2,009)	\$ (2,071)	\$ (1,716)	\$ (1,393)	\$ (1,326)	\$ (2,469)	\$ (2,902)	\$ (2,531)	\$ (2,409)	\$ (2,011)	\$ (2,011)	\$ (2,413)
Opt-Outs to MONET NVPC	\$ (2,465)	\$ (2,009)	\$ (2,071)	\$ (1,716)	\$ (1,393)	\$ (1,326)	\$ (2,469)	\$ (2,902)	\$ (2,531)	\$ (2,409)	\$ (2,011)	\$ (2,011)	\$ (2,413)
BASE NVPC (Post-Selection, COS)	\$ 82,263	\$ 69,958	\$ 74,762	\$ 62,793	\$ 59,045	\$ 52,307	\$ 61,529	\$ 64,137	\$ 59,613	\$ 70,264	\$ 77,429	\$ 85,339	\$ 819,491
BASE LOADS (MWHs)													
ORDER Retail Loads (Pre-Selection, COS)	\$ 1,790,016	\$ 1,533,910	\$ 1,599,578	\$ 1,452,973	\$ 1,444,342	\$ 1,417,636	\$ 1,540,995	\$ 1,537,500	\$ 1,408,381	\$ 1,483,793	\$ 1,596,270	\$ 1,776,127	\$ 18,581,722
Opt-Outs to ORDER Retail Loads	\$ (38,386)	\$ (33,519)	\$ (37,605)	\$ (35,894)	\$ (37,065)	\$ (37,495)	\$ (41,264)	\$ (40,933)	\$ (37,495)	\$ (38,159)	\$ (37,164)	\$ (37,157)	\$ (452,196)
BASE LOADS (Retail, Post-Selection, COS)	\$ 1,751,630	\$ 1,500,391	\$ 1,561,973	\$ 1,417,079	\$ 1,407,257	\$ 1,380,143	\$ 1,499,730	\$ 1,496,566	\$ 1,370,886	\$ 1,445,593	\$ 1,559,106	\$ 1,738,970	\$ 18,129,526
BASE UNIT NVPC	\$ 46.96	\$ 46.65	\$ 47.86	\$ 44.31	\$ 41.96	\$ 37.89	\$ 41.03	\$ 42.86	\$ 43.48	\$ 46.61	\$ 49.66	\$ 49.10	\$ 45.20

	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
ACTUAL / FORECAST	\$ 78,162	\$ 71,715	\$ 77,997	\$ 56,695	\$ 54,938	\$ 50,566	\$ 68,058	\$ 62,186	\$ 58,116	\$ 74,399	\$ 72,020	\$ 89,637	\$ 814,519
Actual / Forecast NVPC (no Other Rev)													
EXCLUDE:													
Credit Reserve - Expense	\$ 11	\$ (279)	\$ 24	\$ (28)	\$ (72)	\$ 50	\$ (21)	\$ (1)	\$ (2)	\$ 4	\$ (29)	\$ 3	\$ (388)
FAS 13371 - MTM/Deferral	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Costs/Revenues unrelated to period booked	\$ (1,728)	\$ (1,692)	\$ 3,420	\$ (115)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (115)
PCAM 2009 amortization	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
PCAM 2009 accrual	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Biglow 2 - net benefits	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Direct Access 08 deferral amortization	\$ 199	\$ 204	\$ 212	\$ 205	\$ 222	\$ 240	\$ 276	\$ 234	\$ 255	\$ 248	\$ (1,013)	\$ (650)	\$ (8,712)
Green Power expenses in N11115 from JMS45D	\$ 824	\$ 696	\$ 671	\$ 600	\$ 522	\$ 519	\$ 522	\$ 625	\$ 545	\$ 524	\$ 581	\$ 747	\$ 7,378
Calstrip WECCO deferral amortization	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Subtotal Exclusions	\$ (694)	\$ (1,071)	\$ 4,213	\$ 777	\$ 673	\$ 576	\$ (78)	\$ (1,326)	\$ (1,112)	\$ (607)	\$ (52)	\$ 554	\$ 1,851

	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
INCLUDE:													
Coyote Steam Sales - M34189	\$ (174)	\$ (163)	\$ (178)	\$ (136)	\$ (113)	\$ (161)	\$ (233)	\$ (167)	\$ (297)	\$ (119)	\$ (199)	\$ (137)	\$ (2,098)
Gas Resale Margin - M34183	\$ 213	\$ 102	\$ 87	\$ (180)	\$ (74)	\$ 43	\$ (46)	\$ (1)	\$ 109	\$ (203)	\$ 39	\$ (189)	\$ 80
Add Oil Sales - Revenue - M34187	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Biglow availability credit - N54401	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Energy Revenues from VPO customers	\$ (598)	\$ (375)	\$ (343)	\$ (197)	\$ (255)	\$ (188)	\$ (360)	\$ (376)	\$ (327)	\$ (381)	\$ (292)	\$ (538)	\$ (4,229)
Transmission resale revenues	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Subtotal Inclusions	\$ (559)	\$ (310)	\$ (434)	\$ (513)	\$ (442)	\$ (307)	\$ (639)	\$ (746)	\$ (516)	\$ (3,127)	\$ (3,447)	\$ (8,213)	\$ (19,251)
ACTUAL NVPC	\$ 78,297	\$ 72,477	\$ 73,351	\$ 55,405	\$ 53,823	\$ 49,703	\$ 67,507	\$ 62,768	\$ 58,712	\$ 71,879	\$ 66,625	\$ 80,870	\$ 793,417
ACTUAL/FCST LOADS (Retail-COS-Calendar)	\$ 1,712,803	\$ 1,450,258	\$ 1,516,725	\$ 1,317,668	\$ 1,278,862	\$ 1,236,709	\$ 1,501,600	\$ 1,382,128	\$ 1,299,551	\$ 1,334,923	\$ 1,413,977	\$ 1,738,963	\$ 17,184,166
ACTUAL UNIT NVPC	\$ 45.71	\$ 49.97	\$ 48.36	\$ 42.05	\$ 42.09	\$ 40.19	\$ 44.96	\$ 45.41	\$ 45.18	\$ 53.84	\$ 48.53	\$ 46.50	\$ 46.17

	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
UNIT NVPC VARIANCE	\$ 45.71	\$ 49.97	\$ 48.36	\$ 42.05	\$ 42.09	\$ 40.19	\$ 44.96	\$ 45.41	\$ 45.18	\$ 53.84	\$ 48.53	\$ 46.50	\$ 46.17
ACTUAL UNIT NVPC	\$ 45.96	\$ 46.63	\$ 47.86	\$ 44.31	\$ 41.96	\$ 37.89	\$ 41.03	\$ 42.86	\$ 43.48	\$ 46.61	\$ 49.66	\$ 49.10	\$ 45.20
ACTUALS ABOVE (BELOW) BASE UNIT NVPC	\$ (1.25)	\$ (3.95)	\$ (0.50)	\$ (2.26)	\$ 0.13	\$ 2.30	\$ 3.93	\$ 2.56	\$ 1.69	\$ 5.24	\$ (1.13)	\$ (2.60)	\$ 0.97
ANNUAL VARIANCE (AV)													
ACTUALS ABOVE (BELOW) BASE	\$ (2,143)	\$ 4,856	\$ 755	\$ (2,983)	\$ 165	\$ 2,839	\$ 5,902	\$ 3,536	\$ 2,201	\$ 6,984	\$ (1,596)	\$ (4,520)	\$ 16,658
ACTUALS ABOVE (BELOW) BASE - YTD	\$ (2,143)												
Positive Deadband - Actuals ABOVE Base	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Negative Deadband - Actuals BELOW Base	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Variance at 100%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
YTD POWER COST VARIANCE (PCV)													
ANNUAL POWER COST VARIANCE (PCV)													

NO PCAM BOOKED. POWER COST VARIANCE WITHIN DEADBANDS.



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Regulatory adjustments based on Docket UE-197, Order 09-020	Actual Financial Statements	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	Type II Adjustments	Pro Forma Results
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Operating Revenues</b>							
Sales to Consumers	1,633,381	(104)	1,633,277	0	1,633,277	20,803	1,654,080
Sales for Resale	111,812	(111,812)	0	0	0	0	0
Other Operating Revenues	58,428	(15,148)	43,280	0	43,280	0	43,280
<b>Total Operating Revenues</b>	<b>1,803,621</b>	<b>(127,064)</b>	<b>1,676,557</b>	<b>0</b>	<b>1,676,557</b>	<b>20,803</b>	<b>1,697,360</b>
<b>Operation &amp; Maintenance</b>							
Net Variable Power Cost	926,130	(126,845)	799,285	0	799,285	(11,533)	787,752
Total Fixed O&M	172,244	0	172,244	0	172,244	300	172,544
Other O&M	179,560	0	179,560	(7,959)	171,602	(103)	171,499
<b>Total Operation &amp; Maintenance</b>	<b>1,277,933</b>	<b>(126,845)</b>	<b>1,151,089</b>	<b>(7,959)</b>	<b>1,143,130</b>	<b>(11,336)</b>	<b>1,131,794</b>
Depreciation & Amortization	205,486	650	206,136	0	206,136	848	206,985
Other Taxes / Franchise Fee	84,248	0	84,248	0	84,248	600	84,847
Income Taxes	42,006	6,303	48,309	3,054	51,362	9,923	61,285
<b>Total Oper. Expenses &amp; Taxes</b>	<b>1,609,673</b>	<b>(119,892)</b>	<b>1,489,781</b>	<b>(4,905)</b>	<b>1,484,876</b>	<b>35</b>	<b>1,484,911</b>
<b>Utility Operating Income</b>	<b>193,947</b>	<b>(7,172)</b>	<b>186,776</b>	<b>4,905</b>	<b>191,681</b>	<b>20,768</b>	<b>212,449</b>
Rate of Return	7.48%		7.18%		7.37%		7.75%
Return on Equity	8.48%		7.88%		8.27%		9.21%
<b>ROE based on actual capital structure.</b>							
<b>Average Rate Base</b>							
Utility Plant in Service	5,274,929	0	5,274,929	0	5,274,929	306,855	5,581,784
Accumulated Depreciation	2,661,213	0	2,661,213	0	2,661,213	63,533	2,724,745
Accumulated Def. Income Taxes	258,768	0	258,768	0	258,768	32,319	291,087
Accumulated Def. Inv. Tax Credit	408	0	408	0	408	(346)	62
<b>Net Utility Plant</b>	<b>2,354,540</b>	<b>0</b>	<b>2,354,540</b>	<b>0</b>	<b>2,354,540</b>	<b>211,350</b>	<b>2,565,890</b>
Deferred Programs & Investments	10,574	6,174	16,748	0	16,748	1,613	18,361
Operating Materials & Fuel	71,397	0	71,397	0	71,397	(12,734)	58,663
Misc. Deferred Credits	76,043	0	76,043	0	76,043	(67,471)	8,572
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	81,597	368	81,965	(255)	81,710	7,257	88,966
<b>Total Average Rate Base</b>	<b>2,594,150</b>	<b>6,542</b>	<b>2,600,692</b>	<b>(255)</b>	<b>2,600,437</b>	<b>140,015</b>	<b>2,740,452</b>

**PGE Exhibit 103C is confidential and will be provided upon execution of Protective Order**

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Regulatory adjustments based on Docket UE-197, Order 09-020	Actual Financial Statements	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	2009 PCAM Accrual	Adjusted Results with PCAM
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues							
Sales to Consumers	1,633,381	(104)	1,633,277	0	1,633,277	0	1,633,277
Sales for Resale	111,812	(111,812)	0	0	0	0	0
Other Operating Revenues	58,428	(15,148)	43,280	0	43,280	0	43,280
Total Operating Revenues	1,803,621	(127,064)	1,676,557	0	1,676,557	0	1,676,557
Operation & Maintenance							
Net Variable Power Cost	926,130	(126,845)	799,285	0	799,285	0	799,285
Total Fixed O&M	172,244	0	172,244	0	172,244	0	172,244
Other O&M	179,560	0	179,560	(7,959)	171,602	0	171,602
Total Operation & Maintenance	1,277,933	(126,845)	1,151,089	(7,959)	1,143,130	0	1,143,130
Depreciation & Amortization	205,486	650	206,136	0	206,136	0	206,136
Other Taxes / Franchise Fee	84,248	0	84,248	0	84,248	0	84,248
Income Taxes	42,006	6,303	48,309	3,054	51,362	0	51,362
Total Oper. Expenses & Taxes	1,609,673	(119,892)	1,489,781	(4,905)	1,484,876	0	1,484,876
Utility Operating Income	193,947	(7,172)	186,776	4,905	191,681	(0)	191,681
Rate of Return	7.48%		7.18%		7.37%		7.37%
Return on Equity	8.48%		7.88%		8.27%		8.27%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	5,274,929	0	5,274,929	0	5,274,929	0	5,274,929
Accumulated Depreciation	2,661,213	0	2,661,213	0	2,661,213	0	2,661,213
Accumulated Def. Income Taxes	258,768	0	258,768	0	258,768	0	258,768
Accumulated Def. Inv. Tax Credit	408	0	408	0	408	0	408
Net Utility Plant	2,354,540	0	2,354,540	0	2,354,540	0	2,354,540
Deferred Programs & Investments	10,574	6,174	16,748	0	16,748	0	16,748
Operating Materials & Fuel	71,397	0	71,397	0	71,397	0	71,397
Misc. Deferred Credits	76,043	0	76,043	0	76,043	0	76,043
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	81,597	368	81,965	(255)	81,710	0	81,710
Total Average Rate Base	2,594,150	6,542	2,600,692	(255)	2,600,437	0	2,600,437