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Douglas C. Tingey
Assistant General Counsel

July 1, 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 215

Attention Filing Center:

Enclosed for filing in the captioned docket are an original and five copies of:

- **STIPULATION**
- **SUPPORTING TESTIMONY (UE 215/Staff-CUB-PGE/100)**

This is being filed by electronic mail with the Filing Center.

An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided. Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "D. C. Tingey", is written over the typed name.

DOUGLAS C. TINGEY
Assistant General Counsel

DCT:cbm
Enclosures
cc: UE 215 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 215

| | | |
|-------------------------------------|---|--------------------|
| In the Matter of |) | |
| |) | |
| PORTLAND GENERAL ELECTRIC COMPANY |) | STIPULATION |
| |) | |
| Request for a General Rate Revision |) | |

This Stipulation (“Stipulation”) is between Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of Oregon (“CUB”), Fred Meyer Stores and Quality Food Centers, Division of Kroger Co. (“Kroger”) and the Industrial Customers of Northwest Utilities (“ICNU”) (collectively, the “Stipulating Parties”).

On February 16, 2010, PGE filed this general rate case. On March 8, 2010, a prehearing conference was held. A procedural schedule was entered with separate schedules for the annual net variable power cost portion of the PGE’s request and the other issues relating to the general rate revision. On March 9, 2010, the Commission suspended the filed tariff sheets for a period not to exceed nine months from the proposed effective date of the tariffs, March 18, 2010. PGE has requested that the revised rates pursuant to this general rate case become effective January 1, 2011. PGE has responded to numerous data requests in this docket from Staff and intervenors.

On May 17 and 18, 2010, the Stipulating Parties participated in a Settlement Conference. Settlement discussions were continued by telephone conference on May 20, 2010. Those discussions resulted in a compromise settlement of the Stipulating Parties described in detail below.

TERMS OF STIPULATION

- I. This Stipulation resolves all issues for PGE's general rate case that are identified below.
- II. The Stipulating Parties acknowledge that the revenue requirement and final rate impact of the adjustments described below are not final until the treatment of other parts of PGE's general rate revision is known. Using PGE's filed cost of capital, the estimated reduction to PGE's revenue requirement is \$28 million, reflecting the following agreements and adjustments:

A. Compensation

The Stipulating Parties agree that PGE's proposed 2011 expenses will be reduced by \$6.484 million to reflect lower benefit costs and payroll taxes in 2011, reflected as follows:

| | | |
|-------------|---------------------------|-----------------------------------|
| S-1.1/S-1.2 | Medical, Dental, & Vision | \$1.910 million expense reduction |
| S-1.3 | Union Benefits | \$2.185 million expense reduction |
| S-1.4 | Post Retirement Benefits | \$0.350 million expense reduction |
| S-1.5 | Retirement Savings Plan | \$1.474 million expense reduction |
| S-1.6 | Other Employee Benefits | \$0.530 million expense reduction |
| S-1.19 | Payroll Taxes | \$0.035 million expense reduction |

The Stipulating Parties agree that PGE's proposed 2011 expenses and rate base will be reduced to reflect lower Pension costs as follows:

| | | |
|--------|--|--------------------------------------|
| S-1.11 | Pension FAS 87 expense (Avg. 2011/2012 expense) | \$0.704 million expense reduction |
| | Pension Rate Base | \$10.936 million rate base reduction |

The Stipulating Parties agree that:

- (1) PGE's proposed Pension Adjustment Tariff will be withdrawn;
- (2) PGE's filed 2011 FTE totals are reasonable;
- (3) The average levels of wages & salaries are unresolved issues; and
- (4) Any Commission approved changes to PGE's average level of wages and salaries

will result in recomputed benefits and payroll tax figures consistent with the method used to derive the adjustments above.

B. AMI

The Stipulating Parties agree that PGE's projected 2011 level of AMI benefits will be adjusted as follows to bring the benefits to \$18.2 million:

| | | |
|-----|-------------|-----------------------------------|
| S-2 | AMI Savings | \$1.700 million expense reduction |
|-----|-------------|-----------------------------------|

The Stipulating Parties agree that, with the adjustment above, PGE's rate case reflects the full expected 2011 benefits of AMI. No further proposed 2011 adjustments will be made to reflect AMI benefits/cost savings.

C. IT, Customer Service, and Transmission & Distribution O&M

The Stipulating Parties agree that PGE's proposed 2011 expenses will be reduced by \$2.999 million, 2011 Other Revenue will be increased by \$0.300 million, and rate base reduced by \$2.920 million as follows:

| | | |
|------|--------------------|---|
| S-9 | IT O&M | \$1.471 million expense reduction |
| S-9 | IT O&M deferral | \$2.920 million rate base reduction |
| S-10 | Cust Svc / T&D O&M | \$1.278 million expense reduction |
| S-11 | T&D O&M | \$0.250 million expense reduction |
| S-12 | Other Revenue | \$0.250 million Trans. revenue increase |
| | | \$0.050 million other revenue increase |

The Stipulating Parties agree that:

- (1) With the modifications above, and with the exception of storm restoration expenses, PGE's IT, Customer Service and Transmission & Distribution O&M costs for 2011 are reasonable;
- (2) PGE withdraws its request for an accounting order to smooth development O&M costs associated with the 2020 Vision program;
- (3) PGE's underground FITNES cycle should be 10 years; and
- (4) All issues related to storm restoration costs and PGE's proposed Storm restoration cost balancing account are unresolved.

D. O&M/ A&G

The Stipulating Parties agree that PGE's proposed 2011 expenses will be reduced by \$2.287 million and rate base reduced by \$0.125 million as follows:

| | | |
|---------------|---------------------|-------------------------------------|
| S-1.7 | DR#145 ledgers | \$0.959 million expense reduction |
| S-1.8 | Directors Fees | \$0.276 million expense reduction |
| S-1.9 | Uninsured Losses | No adjustment to PGE's filing |
| S-1.10 | Insurance Premiums | \$0.484 million expense reduction |
| S-1.12 - 1.14 | Various A&G | \$0.145 million expense reduction |
| S-1.16 – 1.17 | Franchise Fees | \$0.326 million expense reduction |
| S-1.18 | Property Taxes | No adjustment to PGE's filing |
| S-1.21 | Cost of Debt Update | \$0.097 million expense reduction |
| S-1.20 | AFDC | \$0.125 million rate base reduction |

The Stipulating Parties agree that:

- (1) The revenue sensitive factor for franchise fees to be used in the case is 2.499%;
- (2) Interest expense for the rate case will be based on the interest synchronization method and will be updated to reflect the final Commission determination of PGE's cost of long-term debt;
- (3) With the modifications above, the Stipulating Parties agree that PGE's Other O&M and A&G costs for 2011 are reasonable; and
- (4) All production-related operation and maintenance issues, including PGE's request for an environmental balancing account, are unresolved.

E. Capital and Rate Base

The Stipulating Parties agree that PGE's proposed 2011 capital costs will be adjusted as follows:

| | | |
|------|----------------------|---|
| S-14 | Depreciation changes | \$5.939 million depr. expense reduction \$2.970 million rate base increase |
| S-15 | Biglow 3 | \$34.588 million rate base reduction \$1.136 million depr. expense reduction |
| S-15 | Glass Insulators | \$0.507 million rate base increase |

The Stipulating Parties agree that:

(1) With the exception of capital additions related to Clackamas Relicensing in 2010, plus 2011 additions for IT capital, Boardman pollution control equipment, and the upgrade at Coyote Springs, PGE's proposed 2011 rate base is reasonable¹;

(2) An accounting order from the Commission to record \$.507 million of 2011 glass insulator costs as a regulatory asset with amortization over the normal depreciable life of transmission poles is reasonable; and

(3) The issues of the appropriate ROE, cost of debt and capital structure are unresolved.

F. Boardman Tariff

With the exception of ICNU and Kroger, the Stipulating Parties agree that PGE's proposed Boardman tariff is reasonable and should be adopted by the Commission.

III. The Stipulating Parties recommend and request that the Commission approve the adjustments described herein as appropriate and reasonable resolutions of the subject areas and issues it addresses.

IV. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just, and reasonable.

V. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding.

VI. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Stipulating Party reserves the right to withdraw from this Stipulation upon written notice to the Commission and

¹ Staff's proposed adjustment to IT rate base is addressed in S-9; other adjustments to rate base are addressed by S-15.

the other Stipulating Parties within fifteen (15) calendar days of service of the final order that rejects this Stipulation or adds such material condition. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

VII. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to sponsor this Stipulation at the hearing (if necessary), and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting written testimony required by OAR § 860-14-0085(4).

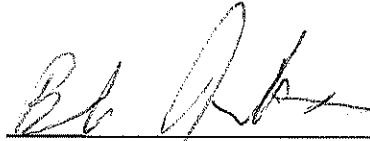
VIII. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation, other than those specifically identified in the Stipulation. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

IX. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 30th day of June, 2010.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

A handwritten signature in black ink, appearing to be "B. B. [unclear]", written over a horizontal line.

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

Don White

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
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THE KROGER CO.

PORTLAND GENERAL ELECTRIC
COMPANY

Paul A. Mahan for Stephanie S. Andrews

STAFF OF THE PUBLIC UTILITY
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INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

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

UE 215
Request for a General Rate Revision

PORTLAND GENERAL ELECTRIC COMPANY

Testimony & Exhibits

July 1, 2010

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I. Introduction

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

2 A. My name is Judy A. Johnson. I am a Program Manager of the Revenue Requirements
3 Section in the Electric and Natural Gas Division at the Oregon Public Utility Commission
4 (OPUC). My qualifications appear in Staff Exhibit 101.

5 My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board of
6 Oregon (CUB). My qualifications appear in CUB Exhibit 101.

7 My name is Jay Tinker. I am a Project Manager for Portland General Electric (PGE).
8 My qualifications appear in PGE Exhibit 300

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

10 A. Our purpose is to describe the Stipulation reached among the OPUC Staff (Staff); CUB;
11 Industrial Customers of Northwest Utilities (ICNU); Fred Meyer Stores and Quality Food
12 Centers, Divisions of The Kroger Co. (Kroger); and PGE (the Stipulating Parties) regarding
13 certain revenue requirement issues in this docket (UE 215). While there are other parties to
14 this case, we are not aware of any who oppose this stipulation. For convenience, we use the
15 issue numbers assigned in the May 7, 2010 Staff Issues List.

16 **Q. What is the basis for the Stipulation?**

17 A. PGE filed this general rate case on February 16, 2010. Over the next three months, Staff,
18 CUB, ICNU, and other parties submitted over 700 data requests regarding PGE's filing. On
19 May 7, Staff provided an initial analysis for numerous issues and the Stipulating Parties
20 participated in Settlement Conferences on May 17 and 18. Settlement discussions were
21 continued by telephone conference on May 20. During those discussions PGE accepted a
22 number of Staff proposals and offered modifications regarding other proposals. The

1 Stipulating Parties then accepted a number of PGE’s suggestions, which represented
2 compromise amounts that were deemed reasonable for settlement purposes.

3 **Q. Please summarize the agreement contained in the revenue requirement stipulation.**

4 A. The stipulation represents the settlement of all revenue requirement issues with the
5 exception of certain items. A copy of the stipulation is provided as Exhibit 101. Table 1
6 summarizes the settled issues with a short description.

Table 1
(Stipulated Issues with approximate adjustments)

| Issue No. | Category | Description |
|------------------------------------|--------------------------------------|--|
| S-1.1 – S-1.6 and S-1.19 | Compensation related | Reduce O&M expense by \$6.45 million and payroll taxes by \$0.04 million |
| S-1.11 | Pension related | Reduce pension expense by \$0.70 million and pension-related rate base by \$10.94 million |
| S-2 | Advanced Metering Infrastructure | Reduce O&M expense by \$1.70 million |
| S-9 | Information Technology | Reduce O&M expense by \$1.47 and IT-related rate base by \$2.92 million |
| S-10 | Various Customer Service and T&D O&M | Reduce O&M expense by \$1.28 million |
| S-11 | T&D O&M | Reduce O&M expense by \$0.25 million |
| S-12 | Other Revenue | Increase Other Revenue by \$0.30 million |
| S-1.7 – S-1.10, S-1.12 – 1.14, | Other O&M and A&G | Reduce O&M and A&G expenses by \$1.86 million |
| S-1.16 – S-1.18, S-1.20 – S1.21 | Other Taxes and Interest | Reduce franchise fees by \$0.33 million, interest cost by \$0.10 million, and rate base associated with AFDC by \$0.13 million |
| S-14 – S-15 | Depreciation and Rate Base | Reduce depreciation expense by \$7.08 million and reduce rate base by \$37.05 million |

7 **Q. Are there any non-revenue requirement issues resolved, or partially resolved with this**
8 **stipulation?**

9 A. Yes. The Stipulating Parties agree that the Commission should approve an accounting order
10 for PGE to capitalize \$0.51 million of glass insulator costs in 2011. The Stipulating Parties,
11 except ICNU and Kroger, also agree that the Commission should approve PGE’s proposed
12 Boardman tariff. In addition, PGE agrees to withdraw its request for Pension and IT

1 mechanisms as discussed below. Finally, the Stipulating Parties agree that PGE's
2 underground FITNES cycle should be 10 years.

3 **Q. Does this Stipulation indicate that all parties agree on the calculations or bases**
4 **employed by other parties to determine each adjustment?**

5 A. No. Although the Stipulating Parties may not necessarily agree on the calculations or bases
6 used to determine each adjustment, we believe the amounts represent a reasonable financial
7 settlement of the respective issues in this docket. The adjustments are in the public interest
8 and will result in rates that are fair, just, and reasonable.

9 **Q. How does the Stipulation resolve the revenue requirement effects of settled issues since**
10 **not all of the issues in the case have been resolved?**

11 A. Because the parties did not stipulate to all of the factors necessary to derive the revenue
12 requirement effects of each settled issue, the final revenue requirement cannot be calculated
13 until decisions are reached on those factors. Examples of issues that will result in updated
14 amounts for stipulated costs include: 1) the capital structure and cost of capital, which will
15 impact all adjusted amounts, and 2) a wage and salary adjustment, which will impact
16 benefits and payroll taxes.

II. Resolved Issues

1 **Q. Please describe the stipulation regarding compensation-related issues.**

2 A. The Stipulating Parties agree that PGE would reduce its filed O&M expense by \$6.48
3 million and payroll taxes by \$0.04 million. This adjustment has several components, which
4 we summarize as follows:

| | | | |
|----|---------------|---------------------------|----------------------------------|
| 5 | • S-1.1/S-1.2 | Medical, Dental, & Vision | \$1.91 million expense reduction |
| 6 | • S-1.3 | Union Benefits | \$2.19 million expense reduction |
| 7 | • S-1.4 | Post Retirement Benefits | \$0.35 million expense reduction |
| 8 | • S-1.5 | Retirement Savings Plan | \$1.47 million expense reduction |
| 9 | • S-1.6 | Other Employee Benefits | \$0.53 million expense reduction |
| 10 | • S-1.19 | Payroll Taxes | \$0.04 million expense reduction |

11 For S-1.1 and S-1.2, Staff based its analysis of Medical, Dental, and Vision benefits on costs
12 per full-time equivalent employee (FTE). After re-evaluating its forecasted costs and
13 associated FTE count, PGE agreed with much of Staff's proposal, subject to certain
14 corrections and/or revisions to Staff's calculations on certain items. The final proposed cost
15 reduction listed above represents revisions to the escalation of premiums and the FTE count
16 used to calculate these costs, and is considered reasonable by the Stipulating Parties.

17 **Q. Please describe the stipulation on the remaining compensation-related issues.**

18 A. Staff applied different methods to evaluate the various cost categories, including cost per
19 employee and appropriate plan rates. In some instances, PGE revised its forecast and agreed
20 with Staff's calculations. In other instances, PGE was able to provided additional detail
21 such as the new short-term disability contract from which Staff revised its numbers. The
22 payroll tax and the retirement savings plan amounts are calculated as functions of total wage

1 and salary levels that will be updated if additional adjustments are applied to wages and
2 salaries.

3 S-1.3 represents revisions to PGE's union benefit cost per employee hour, as well
4 as the FTE count used to calculate these costs. S-1.4 represents the correction of an error
5 made by PGE in its original filing. S-1.5 represents an adjustment to retirement savings plan
6 expense based on the truing up of the final wages and salaries amount determined in
7 UE 215, as well as a revision to the FTE count used to calculate these costs. S-1.6
8 represents various adjustments to PGE's employee wellness programs and miscellaneous
9 employee benefits. S-1.19 represents an adjustment to true up payroll taxes as a function of
10 the total wages and salaries amount determined in UE 215. Based on the analyses provided
11 and discussions regarding the various cost categories, the Stipulating Parties concluded that
12 the above-listed adjustments are reasonable and appropriate.

13 **Q. What is the basis for the stipulation regarding pension-related issues, S-1.11?**

14 A. PGE agreed to withdraw from its filing the proposal for a pension adjustment mechanism
15 associated with pension-related cash contributions. Consequently, PGE will remove \$10.94
16 million from average rate base. In addition, the Stipulating Parties agree that PGE's pension
17 cost should equal the average of updated FAS 87 expense forecasts for 2011 and 2012. This
18 two-year average represents a normalization of expected fluctuation in PGE's FAS 87
19 pension expense, and reduces PGE's expense as filed in the case by \$0.70 million.

20 **Q. How did you arrive at a stipulation regarding the Advance Metering Infrastructure**
21 **(AMI) issue, S-2?**

22 A. Staff proposed to reduce PGE's O&M costs by \$1.7 million so that the test year forecast
23 would reflect the same amount of net benefit as identified in Docket No. UE 189, wherein
24 the Commission approved AMI in Order No. 08-245. PGE accepted this reduction although

1 it maintains that UE 189 represents estimates developed several years ago rather than a
2 commitment of benefits. PGE also notes that the test year forecast, as filed, includes
3 significant net benefits and a reasonable net present value benefit to justify the project.

4 **Q. Did this stipulated adjustment affect any other issues?**

5 A. Yes. By accepting Staff's AMI adjustment, S-2, adjustment S-3 and a component of S-9
6 were eliminated because they would have double-counted AMI-related benefits. The
7 Stipulating Parties agree with this result and also agree that PGE's filed 2011 FTE totals are
8 reasonable.

9 **Q. Does the stipulated adjustment S-2 resolve all cost and benefits associated with AMI in
10 the 2011 test year forecast?**

11 A. Yes.

12 **Q. Do the previous adjustments resolve all issues related to compensation and work force
13 levels?**

14 A. No. Wages and salaries as determined on an average FTE basis still remains an unresolved
15 issue. All other compensation and work force issues have been resolved.

16 **Q. What is the basis for the stipulation regarding the Information Technology (IT) issue,
17 S-9?**

18 A. Staff based its adjustment on two primary aspects: 1) removal of PGE's IT cost-smoothing
19 mechanism, and 2) removal of certain IT O&M amounts by comparison with historical
20 costs. Although PGE did not necessarily agree with Staff's methodology regarding the
21 O&M adjustment, PGE agreed it represented an acceptable outcome for settlement purposes
22 after eliminating the AMI-related component described above. PGE also agreed to
23 withdraw its proposal for the mechanism that would have smoothed the development O&M
24 costs for the 2020 Vision program over the life of the project. As a result of these

1 discussions, the Stipulating Parties agree to reduce PGE's IT-related O&M by \$1.47 million
2 and average rate base by \$2.92 million.

3 **Q. Did this resolve all issues related to IT O&M?**

4 A. Yes.

5 **Q. Please describe the stipulation regarding Customer Service and Transmission and
6 Distribution O&M issues as specified in adjustment S-10.**

7 A. Staff's proposed adjustment was primarily a function of averaging historical costs and
8 escalating for inflation. PGE accepted Staff's proposal with one exception and one
9 qualification. The exception noted that one aspect of Staff's adjustment reduced costs based
10 on historical accounting that PGE had corrected and was no longer applicable. The
11 qualification was that parties agree that PGE's underground FITNES cycle should be 10
12 years to coincide with the reduced cost level associated with that program (and also matches
13 the cycle for overhead FITNES). The Stipulating Parties agree to PGE's adjustments, which
14 result in a reduction to O&M costs of \$1.28 million and a ten-year cycle for underground
15 FITNES.

16 **Q. What is the basis for the stipulation regarding the Transmission O&M issue, S-11.**

17 A. Staff originally proposed an O&M reduction based on certain adjustment factors related to
18 materials costs. PGE explained in detail how its purchasing policies are employed and how
19 PGE cannot influence the price for raw materials. As a result of these discussions, PGE
20 reevaluated its cost assumptions and the Stipulating Parties agree to a \$0.25 million O&M
21 reduction in PGE's test year forecast.

22 **Q. Do the previous two adjustments resolve all issues related to Customer Service and
23 T&D O&M costs?**

1 A. Yes, with the exception of storm restoration costs and PGE's proposal for an accounting
2 order to track actual storm costs.

3 **Q. Are there other unresolved O&M issues?**

4 A. Yes. All issues related to Production O&M and environmental costs remain open.

5 **Q. How did you arrive at a stipulation regarding Other Revenue?**

6 A. PGE agreed that certain Other Transmission Revenues were omitted and others understated.
7 After reviewing and then revising the forecasted amounts, the Stipulating Parties agreed to
8 increase Other Revenue by \$0.30 million, as a reasonable outcome for settlement purposes.

9 **Q. Did this resolve all issues regarding Other Revenue?**

10 A. Yes.

11 **Q. Please describe the stipulation regarding Other O&M and A&G.**

12 A. The Stipulating Parties agree that PGE will reduce its test year expenses by \$2.29 million
13 and average rate base by \$0.13 million. This adjustment has several components, which we
14 summarize as follows:

| | | | |
|----|-----------------|---------------------------|------------------------------------|
| 15 | • S-1.7 | Data Req. No. 145 ledgers | \$0.96 million expense reduction |
| 16 | • S-1.8 | Directors Fees | \$0.28 million expense reduction |
| 17 | • S-1.9 | Uninsured Losses | No adjustment to PGE's filing |
| 18 | • S-1.10 | Insurance Premiums | \$0.48 million expense reduction |
| 19 | • S-1.12 – 1.14 | Various A&G | \$0.15 million expense reduction |
| 20 | • S-1.16 – 1.17 | Franchise Fees | \$0.33 million expense reduction |
| 21 | • S-1.18 | Property Taxes | No adjustment to PGE's filing |
| 22 | • S-1.21 | Cost of Debt Update | \$0.10 million expense reduction |
| 23 | • S-1.20 | AFDC | \$0.13 million rate base reduction |

24 **Q. Please describe the stipulation regarding S-1.7, Data Request No. 145 ledgers.**

1 A. For S-1.7, Staff based its analysis on historical costs for non-labor components of certain
2 A&G ledgers. PGE agreed with certain aspects of this adjustment but observed that with
3 other aspects, additional ledgers needed to be included in the analysis. This revision
4 represents a normalization of certain expenses included in the base period to reduce expense
5 levels to historical average amounts, and results in a reduction to PGE's expenses by \$0.96
6 million.

7 **Q. What was the stipulation regarding S-1.8, directors fees?**

8 A. For S-1.8, Staff reviewed all aspects of PGE's directors' fees and proposed reductions based
9 on their applicability in rates. PGE accepted certain components of Staff's proposal but
10 argued that because the Directors' Stock Incentive is a portion of their total compensation,
11 rather than an additional incentive for the directors, PGE should be allowed to recover at
12 least a portion of that cost. This results in a final expense reduction of \$0.28 million.

13 **Q. Please describe the stipulation regarding S-1.9 and S-1.10, uninsured losses and**
14 **insurance premiums.**

15 A. These issues relate to PGE's insurance programs. Issue S-1.9 involves the evaluation of
16 PGE's uninsured losses. Based on actuarial reports and the review of certain historical
17 costs, the Stipulating Parties agree that no adjustment is necessary for uninsured losses. For
18 Issue S-1.10, PGE agreed with Staff's proposal to remove 50% of Director and Officer
19 (D&O) insurance premiums above primary. This represents a \$0.48 million expense
20 reduction for D&O insurance.

21 **Q. What was the stipulation regarding S-1.12 – S-1.14, various A&G?**

22 A. These issues relate to Staff's review of transaction listings for a number of O&M and A&G
23 ledgers and their proposal to remove certain costs related to meals, entertainment,
24 promotions, etc. (at either 50% or 100% depending on the nature of the costs). PGE

1 provided additional detail explaining the legitimacy of specific cost items and, as a result,
2 the Stipulating Parties agree to a \$0.15 million expense reduction.

3 **Q. Please describe the stipulation regarding S-1.16 and S-1.17.**

4 A. S-1.16 and S-1.17 relate to Franchise Fees. PGE accepted most of Staff's proposed
5 adjustments as reasonable based on the estimates of revenue amounts by city, by certain
6 customers, and by specific franchise fee rates. However, PGE proposed one correction
7 based on the revenue of a particular customer, and the parties accepted. The Stipulating
8 Parties then agreed to a final franchise fee rate of 2.499%, to be used as a revenue sensitive
9 cost in this proceeding. This results in a \$0.326 million cost reduction based on the
10 calculated, but not yet fully resolved, revenue total (see Section I, above).

11 **Q. Was there an adjustment regarding S-1.18, property taxes?**

12 A. No. After considerable review of PGE's property taxes and Staff's application of an
13 analysis similar to that employed in PGE's previous rate case (UE 197), the Stipulating
14 Parties agree that PGE's estimated property taxes for the test year are reasonable as filed.

15 **Q. What was the stipulation regarding S-1.21, updating the cost of debt?**

16 A. This issue revises PGE's interest expense based on the interest synchronization method.
17 This means that PGE's interest expense will be based on the level of debt applicable only to
18 the authorized total rate base. The resulting adjustment, at this time, is a \$0.10 million
19 expense reduction. Further adjustments to average rate base will result in additional updates
20 to this issue. PGE accepts this adjustment.

21 **Q. Do the previous adjustments settle all issues regarding Other O&M and A&G?**

22 A. Yes.

23 **Q. Please describe the stipulation regarding S-1.20, allowance for funds used during**
24 **construction (AFDC).**

1 A. For S-1.20, PGE agreed to remove the additional AFDC that has accumulated as a result of
2 the purchase of the Boardman spare generator rotor due to a delay in project completion.
3 This adjustment reduces average rate base by \$0.13 million.

4 **Q. How did you arrive at a stipulation regarding depreciation, Issue S-14?**

5 A. Depreciation costs were the subject of considerable discussion in Docket No. UM 1458,
6 which addressed PGE's latest depreciation study. Based on the settlement agreement
7 reached in UM 1458, Issue S-14 reflects the cost adjustments applicable to the 2011 test
8 year forecast as filed in UE 215. The Stipulating Parties agree that this reduces depreciation
9 expense by \$5.94 million and increases average rate base by \$2.97 million.

10 **Q. What was the stipulation regarding S-15?**

11 A. This stipulation reduces average rate base by \$34.59 million and reduces depreciation
12 expense by \$1.14 million. The basis for these adjustments is to reflect updated capital costs
13 associated with the Biglow Canyon phase 3 wind farm. The updated capital costs
14 appropriately reduce both rate base and depreciation expense. One additional component to
15 this adjustment is to increase average rate base by \$0.51 million. This rate base increase is
16 due to the cost for new glass insulators that the Stipulating Parties recommend should be
17 classified as capital costs, rather than O&M (as they currently are) because the glass
18 insulators have a useful life that exceeds one year. The Stipulating Parties agree the
19 Commission should issue an accounting order allowing such treatment. The O&M
20 reduction associated with this adjustment is addressed by Issue S-10.

21 **Q. Please describe the stipulation between certain parties regarding the Boardman Tariff.**

22 A. Staff, CUB, and PGE recommend that the Commission approve the Boardman Depreciation
23 Revenue Requirement tariff (Schedule 145) as filed in this proceeding. The purpose of the
24 tariff is to allow the Commission to authorize changes in prices to reflect the incremental

1 revenue requirement impact of a shortened Boardman operating life. Base prices will reflect
2 the revenue requirement based on a 2040 end of life for Boardman. PGE will collect the net
3 effect of Commission-ordered changes to this end-of-life assumption through Schedule 145
4 upon approval by the Commission to shorten Boardman's operating life.

5 **Q. What is your recommendation to the Commission regarding these adjustments?**

6 A. The Stipulating Parties recommend and request that the Commission approve these
7 adjustments. Based on careful review of PGE's filing, consideration of PGE's responses to
8 over 700 data requests, and thorough analysis of the issues during two days of settlement
9 conferences, we believe they represent appropriate and reasonable resolutions of the
10 respective issues in this docket. Rates reflecting these adjustments will be fair, just, and
11 reasonable.

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

13 A. Yes.

List of Exhibits

| <u>Exhibit</u> | <u>Description</u> |
|-----------------------|---|
| 101 | Stipulation on Revenue Requirement Issues |

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 215

| | | |
|--------------------------------------|---|--------------------|
| In the Matter of |) | |
| |) | |
| PORTLAND GENERAL ELECTRIC COMPANY |) | STIPULATION |
| |) | |
| Request for a General Rate Revision |) | |

This Stipulation (“Stipulation”) is between Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of Oregon (“CUB”), Fred Meyer Stores and Quality Food Centers, Division of Kroger Co. (“Kroger”) and the Industrial Customers of Northwest Utilities (“ICNU”) (collectively, the “Stipulating Parties”).

On February 16, 2010, PGE filed this general rate case. On March 8, 2010, a prehearing conference was held. A procedural schedule was entered with separate schedules for the annual net variable power cost portion of the PGE’s request and the other issues relating to the general rate revision. On March 9, 2010, the Commission suspended the filed tariff sheets for a period not to exceed nine months from the proposed effective date of the tariffs, March 18, 2010. PGE has requested that the revised rates pursuant to this general rate case become effective January 1, 2011. PGE has responded to numerous data requests in this docket from Staff and intervenors.

On May 17 and 18, 2010, the Stipulating Parties participated in a Settlement Conference. Settlement discussions were continued by telephone conference on May 20, 2010. Those discussions resulted in a compromise settlement of the Stipulating Parties described in detail below.

TERMS OF STIPULATION

- I. This Stipulation resolves all issues for PGE's general rate case that are identified below.
- II. The Stipulating Parties acknowledge that the revenue requirement and final rate impact of the adjustments described below are not final until the treatment of other parts of PGE's general rate revision is known. Using PGE's filed cost of capital, the estimated reduction to PGE's revenue requirement is \$28 million, reflecting the following agreements and adjustments:

A. Compensation

The Stipulating Parties agree that PGE's proposed 2011 expenses will be reduced by \$6.484 million to reflect lower benefit costs and payroll taxes in 2011, reflected as follows:

| | | |
|-------------|---------------------------|-----------------------------------|
| S-1.1/S-1.2 | Medical, Dental, & Vision | \$1.910 million expense reduction |
| S-1.3 | Union Benefits | \$2.185 million expense reduction |
| S-1.4 | Post Retirement Benefits | \$0.350 million expense reduction |
| S-1.5 | Retirement Savings Plan | \$1.474 million expense reduction |
| S-1.6 | Other Employee Benefits | \$0.530 million expense reduction |
| S-1.19 | Payroll Taxes | \$0.035 million expense reduction |

The Stipulating Parties agree that PGE's proposed 2011 expenses and rate base will be reduced to reflect lower Pension costs as follows:

| | | |
|--------|--|--------------------------------------|
| S-1.11 | Pension FAS 87 expense (Avg. 2011/2012 expense) | \$0.704 million expense reduction |
| | Pension Rate Base | \$10.936 million rate base reduction |

The Stipulating Parties agree that:

- (1) PGE's proposed Pension Adjustment Tariff will be withdrawn;
- (2) PGE's filed 2011 FTE totals are reasonable;
- (3) The average levels of wages & salaries are unresolved issues; and
- (4) Any Commission approved changes to PGE's average level of wages and salaries

will result in recomputed benefits and payroll tax figures consistent with the method used to derive the adjustments above.

B. AMI

The Stipulating Parties agree that PGE's projected 2011 level of AMI benefits will be adjusted as follows to bring the benefits to \$18.2 million:

| | | |
|-----|-------------|-----------------------------------|
| S-2 | AMI Savings | \$1.700 million expense reduction |
|-----|-------------|-----------------------------------|

The Stipulating Parties agree that, with the adjustment above, PGE's rate case reflects the full expected 2011 benefits of AMI. No further proposed 2011 adjustments will be made to reflect AMI benefits/cost savings.

C. IT, Customer Service, and Transmission & Distribution O&M

The Stipulating Parties agree that PGE's proposed 2011 expenses will be reduced by \$2.999 million, 2011 Other Revenue will be increased by \$0.300 million, and rate base reduced by \$2.920 million as follows:

| | | |
|------|--------------------|---|
| S-9 | IT O&M | \$1.471 million expense reduction |
| S-9 | IT O&M deferral | \$2.920 million rate base reduction |
| S-10 | Cust Svc / T&D O&M | \$1.278 million expense reduction |
| S-11 | T&D O&M | \$0.250 million expense reduction |
| S-12 | Other Revenue | \$0.250 million Trans. revenue increase |
| | | \$0.050 million other revenue increase |

The Stipulating Parties agree that:

- (1) With the modifications above, and with the exception of storm restoration expenses, PGE's IT, Customer Service and Transmission & Distribution O&M costs for 2011 are reasonable;
- (2) PGE withdraws its request for an accounting order to smooth development O&M costs associated with the 2020 Vision program;
- (3) PGE's underground FITNES cycle should be 10 years; and
- (4) All issues related to storm restoration costs and PGE's proposed Storm restoration cost balancing account are unresolved.

D. O&M/A&G

The Stipulating Parties agree that PGE's proposed 2011 expenses will be reduced by \$2.287 million and rate base reduced by \$0.125 million as follows:

| | | |
|---------------|---------------------|-------------------------------------|
| S-1.7 | DR#145 ledgers | \$0.959 million expense reduction |
| S-1.8 | Directors Fees | \$0.276 million expense reduction |
| S-1.9 | Uninsured Losses | No adjustment to PGE's filing |
| S-1.10 | Insurance Premiums | \$0.484 million expense reduction |
| S-1.12 - 1.14 | Various A&G | \$0.145 million expense reduction |
| S-1.16 - 1.17 | Franchise Fees | \$0.326 million expense reduction |
| S-1.18 | Property Taxes | No adjustment to PGE's filing |
| S-1.21 | Cost of Debt Update | \$0.097 million expense reduction |
| S-1.20 | AFDC | \$0.125 million rate base reduction |

The Stipulating Parties agree that:

- (1) The revenue sensitive factor for franchise fees to be used in the case is 2.499%;
- (2) Interest expense for the rate case will be based on the interest synchronization method and will be updated to reflect the final Commission determination of PGE's cost of long-term debt;
- (3) With the modifications above, the Stipulating Parties agree that PGE's Other O&M and A&G costs for 2011 are reasonable; and
- (4) All production-related operation and maintenance issues, including PGE's request for an environmental balancing account, are unresolved.

E. Capital and Rate Base

The Stipulating Parties agree that PGE's proposed 2011 capital costs will be adjusted as follows:

| | | |
|------|----------------------|---|
| S-14 | Depreciation changes | \$5.939 million depr. expense reduction \$2.970 million rate base increase |
| S-15 | Biglow 3 | \$34.588 million rate base reduction \$1.136 million depr. expense reduction |
| S-15 | Glass Insulators | \$0.507 million rate base increase |

The Stipulating Parties agree that:

(1) With the exception of capital additions related to Clackamas Relicensing in 2010, plus 2011 additions for IT capital, Boardman pollution control equipment, and the upgrade at Coyote Springs, PGE's proposed 2011 rate base is reasonable¹;

(2) An accounting order from the Commission to record \$.507 million of 2011 glass insulator costs as a regulatory asset with amortization over the normal depreciable life of transmission poles is reasonable; and

(3) The issues of the appropriate ROE, cost of debt and capital structure are unresolved.

F. Boardman Tariff

With the exception of ICNU and Kroger, the Stipulating Parties agree that PGE's proposed Boardman tariff is reasonable and should be adopted by the Commission.

III. The Stipulating Parties recommend and request that the Commission approve the adjustments described herein as appropriate and reasonable resolutions of the subject areas and issues it addresses.

IV. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just, and reasonable.

V. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding.

VI. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Stipulating Party reserves the right to withdraw from this Stipulation upon written notice to the Commission and

¹ Staff's proposed adjustment to IT rate base is addressed in S-9; other adjustments to rate base are addressed by S-15.

the other Stipulating Parties within fifteen (15) calendar days of service of the final order that rejects this Stipulation or adds such material condition. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

VII. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to sponsor this Stipulation at the hearing (if necessary), and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting written testimony required by OAR § 860-14-0085(4).


VIII. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation, other than those specifically identified in the Stipulation. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

IX. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this ^{30th} day of June, 2010.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

A handwritten signature in black ink, appearing to be 'Ed R. ...', is written over a horizontal line.

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

THE KROGER CO.

David White

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
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PORTLAND GENERAL ELECTRIC
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Paul A. Graham for Stephanie S. Andrews
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COMMISSION OF OREGON

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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **STIPULATION WITH SUPPORTING TESTIMONY (UE 215/Staff-CUB-PGE/100)** to be served by electronic mail to those parties whose email addresses appear on the attached service list and by method specified, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UE 215.

Dated at Portland, Oregon, this 1st day of July, 2010.



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