1	BEFORE THE PUBLIC UTILITY COMMISSION			
2	OF OREGON			
3	DR 10/UE 88/UM 989			
4	In the Matters of			
5	The Application of Portland General Electric			
6	Company for an Investigation into Least Cost Plan Plant Retirement (DR 10)	STAFF'S POST HEARING REPLY BRIEF (PHASE I)		
7	Revised Tariffs Schedules for Electric Service			
8	in Oregon Filed by Portland General Electric Company (UE 88)			
9	Portland General Electric Company's Application for an Accounting Order and for			
10	Order Approving Tariff Sheets Implementing Rate Reduction (UM 989)			
12				
13	INTRODUCTION			
14	Staff of the Public Commission of Oregon ("Staff") submits its Reply Brief regarding			
15	Phase I of this proceeding.			
16	Staff supports Portland General Electric's (PGE) Approach II, with Staff's proposed			
17	adjustments, because it encourages economic resource decisions, ensures a high degree of			
18	intergenerational equity and preserves PGE's financial integrity. See Staff's Opening Brief at 7-			
19	12. Staff, however, disagrees with PGE's on the following issues: (1) the treatment of the steam			
20	generators under the net benefit test, see Staff's Opening Brief at 11-12; (2) an increase in ROE,			
21	see id. at 10-11; and (3) the recovery of debt costs for Trojan investment. See Id. at 17-18. Staff			
22	also believes it is uncertain whether the Commission would have allowed the deferral of first			
23	year power costs. See Id at 10. Staff has addressed each of those issues in Staff's Opening			
24	Brief and will not repeat those arguments here.			
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26	///			
Page 1 - STAFF'S POST HEARING REPLY BRIEF (PHASE I) DBH/nal/GENO5101				

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1	Alternatively, if the Commission concludes that it would have set rates that allowed a
2	moderate incremental rate impact with as few changes as possible to non-Trojan rate elements,
3	Staff recommends that the Commission accept Staff's alternate approach. The result in both
4	scenarios would be the same, with \$158.9 million owed PGE and available for the UM 989 offset
5	on September 30, 2000.
6	ARGUMENT
7	The Utility Reform Project's Opening Brief is surprising. The scope of these proceedings
8	has been the subject of extensive briefing, an ALJ Ruling, and two Commission Orders. The
9	Commission determined and affirmed the scope of these proceedings in Order Nos. 04-597 and
10	05-091. Yet URP spends very little space in its 45-page opening brief addressing the issues
11	described in the Commission's Orders. Rather URP spends much of its opening brief rearguing
12	issues already determined and affirmed in Orders Nos. 04-597 and 05-091 or disputing various
13	ALJ rulings. Specifically, URP disputes the Commission's scope of proceedings decision at
14	pages 1-13, 16-24 and 36-45. None of these issues are before the Commission now. The
15	Commission should disregard these arguments.
16	URP's failure to follow the Commission's Order regarding the scope of these
17	proceedings extends to the testimony of URP witness Lazar. The Commission described the
18	work in this phase of the proceeding to involve "[w]hat rates would have been approved in UE
19	88 if ORS 757.355 had been interpreted to prohibit a return on Trojan." Order 04-597 at 5. In
20	contrast, Lazar states "the purpose of this phase of this proceeding to determine how much return
21	(profit) PGE received on Trojan during the period covered by UE-88, and adjusting that to reflect
22	accrued interest to be refunded along with the overcharge." (See URP/200, Lazar 13, 16 and
23	202/1.) Consistent with Lazar's testimony quoted above, Lazar's refund calculation is based on
24	the premise that the Commission should adopt the same rates here as the Commission approved
25	in UE 88 except for the elimination of the return on Trojan. Lazar's refund calculation conflicts

with the Order 04-597 and is not supported by any persuasive reasoning.

DBH/nal/GENO5101

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1	URP also argues that Staff's one-year amortization of Trojan investment "is the same		
2	thing as a 5.5-year amortization" that is "nothing more than allowing a return on Trojan		
3	investment." URP's Opening Brief at 15-16. URP makes this claim because the scenario in		
4	Staff/102/3 increases PGE's revenue requirement in the first year of the 5.5-year period and		
5	carries it forward with a "return on it." Staff disagrees with URP's interpretation for the reasons		
6	discussed in Staff/100, page 23, line 15, through page 24, line 11. The interest on the revenue		
7	requirement differential simply represents the time value of money, which is completely		
8	different than allowing a return on Trojan investment. In fact, it is the same time value of money		
9	concept as URP uses in its analysis for calculating interest on what is effectively the differential		
10	in PGE's revenue requirement with and without a return on Trojan investment.		
11	A comparison of Staff's two alternatives makes it clear that the purpose of the calculation		
12	is to recognize the time value of money, not provide a return on investment. The scenario in		
13	Staff/102/2 is the same as Staff/102/3, except that "First Year Power Costs" are deferred for		
14	collection over 10 years in Staff/102/2, resulting in virtually no year-to-year variation in overall		
15	revenue requirement from the UE 88 rate case. (See lines 7, 11 and 15 in Staff/102/2). The		
16	"Interest on Revenue Requirement Differential" on line 22 of the two scenarios is much		
17	different, yet the "Balance Owed PGE at 9/30/2000" on line 24 is the same: \$158.9 million.		
18	SUMMARY		
19	In sum, Staff has offered two scenarios with ratemaking elements we believe represent		
20	what the Commission reasonably would have done in UE 88 had it known it is unlawful to allow		
21	PGE to earn a return on retired plant. These scenarios meet the objectives of intergenerational		
22	equity, rate stability, and maintaining PGE's financial integrity. If the Commission concludes		
23	that it would have set UE 88 rates to minimize additional rate fluctuations related to Trojan		
24	recovery, we recommend the Commission endorse PGE's Approach II with Staff's		
25	modifications. Alternatively, if the Commission concludes that it would have set rates that		
26	allowed a moderate incremental rate impact with few changes to non-Trojan rate elements, we		

1	recommend the Commission accept Staff's alternate approach. The result in both scenarios		
2	would be the same, with \$158.9 million owed PGE and available for the UM 989 offset on		
3	September 30, 2000.		
4	DATED this 30 th day of November 2005	5.	
5		Respectfully submitted,	
6		HARDY MYERS	
7		Attorney General	
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9		/s/David B. Hatton	
10		David B. Hatton, #75151 Assistant Attorney General	
11		Of Attorneys for Staff of the Public Utility	
12		Commission of Oregon	
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Page 4 - STAFF'S POST HEARING REPLY BRIEF (PHASE I)
DBH/nal/GENO5101

1 **CERTIFICATE OF SERVICE** I hereby certify that on the 30th day of November 2005, I served the foregoing document 2 3 upon the parties hereto by the methods indicated below: 4 J JEFFREY DUDLEY-- CONFIDENTIAL HAND DELIVER 5 PORTLAND GENERAL ELECTRIC U.S. MAIL 121 SW SALMON ST 1WTC1300 **OVERNIGHT MAIL** 6 PORTLAND OR 97204 **FACSIMILE** jay.dudley@pgn.com _ ELECTRONIC MAIL 7 PAUL GRAHAM -- CONFIDENTIAL X HAND DELIVER DEPARTMENT OF JUSTICE U.S. MAIL 8 **REGULATED UTILITY & BUSINESS SECTION OVERNIGHT MAIL** 1162 COURT ST NE **FACSIMILE** 9 SALEM OR 97301-4096 ELECTRONIC MAIL paul.graham@state.or.us 10 PATRICK G HAGER -- CONFIDENTIAL HAND DELIVER 11 PORTLAND GENERAL ELECTRIC U.S. MAIL 121 SW SALMON ST 1WTC0702 **OVERNIGHT MAIL** 12 PORTLAND OR 97204 **FACSIMILE** patrick.hager@pgn.com _ ELECTRONIC MAIL 13 DANIEL W MEEK -- CONFIDENTIAL HAND DELIVER 14 DANIEL W MEEK ATTORNEY AT LAW U.S. MAIL 10949 SW 4TH AVE **OVERNIGHT MAIL** 15 PORTLAND OR 97219 **FACSIMILE** dan@meek.net X ELECTRONIC MAIL 16 LINDA K WILLIAMS HAND DELIVER 17 KAFOURY & MCDOUGAL U.S. MAIL 10266 SW LANCASTER RD **OVERNIGHT MAIL** PORTLAND OR 97219-6305 18 FACSIMILE linda@lindawilliams.net _ ELECTRONIC MAIL 19 20 21 Neoma A. Lane Legal Secretary 22 Department of Justice Regulated Utility & Business Section 23 24 25

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