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August 16, 2013

Via E-mail and Federal Express

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY
2013 Request for a General Rate Revision
Docket No. UE 262

Dear Filing Center:

Enclosed for filing in the above-referenced docket, please find the original and five (5) copies of the Rebuttal Testimony of Michael C. Deen on Behalf of the Industrial Customers of Northwest Utilities. Please note that the version of Mr. Deen's rebuttal testimony filed on August 6, 2013 was incorrectly numbered as ICNU/103. The enclosed testimony is correctly numbered as ICNU/200 and should replace the previously filed version.

Thank you for your assistance, and please do not hesitate to call our office with any questions.

Sincerely,

/s/ Jesse Gorsuch
Jesse Gorsuch

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the attached Rebuttal Testimony of Michael C. Deen upon all parties of record in this proceeding, as shown below, by causing the same to be sent via electronic mail only, as all parties have waived paper service.

Dated at Portland, Oregon, this 16th day of August, 2013.

/s/ Jesse Gorsuch
Jesse Gorsuch

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BEFORE THE OREGON PUBLIC UTILITY COMMISSION

UE 262

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
)
)
Request For a General Rate Revision)
_____)

REBUTTAL TESTIMONY OF MICHAEL C. DEEN

ON BEHALF OF

THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

August 6, 2013

I. INTRODUCTION AND SUMMARY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michael C. Deen, and my business address is 900 Washington Street, Suite 780, Vancouver, Washington 98660. I am employed by Regulatory and Cogeneration Services, Inc. ("RCS"), a utility rate and consulting firm.

Q. ARE YOU THE SAME MICHAEL DEEN THAT PREVIOUSLY TESTIFIED IN THIS PROCEEDING?

A. Yes. I previously provided testimony in this proceeding on pension cost issues. That testimony is identified as Exhibit ICNU/100.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. The purpose of this testimony is to respond to Portland General Electric Company's ("PGE" or the "Company") rebuttal of the Industrial Customers of Northwest Utilities ("ICNU") and the Citizens' Utility Board of Oregon ("CUB") on pension expense issues.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. PGE's analysis unconvincing. ICNU continues to recommend the use of historical Financial Accounting Standard ("FAS") 87 expense amounts for ratemaking purposes in this proceeding. This will produce a more fair result for ratepayers, which does not rely on a volatile and unpredictable forecast while the long-term policy issues related to pension expense recovery are addressed by the Oregon Public Utility Commission ("OPUC" or the "Commission") and parties to the UM 1633 docket. I am not testifying about what policy the Commission should adopt for long-term pension expense recovery, which is being addressed in UM 1633.

II. PENSION COST ISSUES

Q. HAVE YOU REVIEWED THE REPLY TESTIMONY OF CUB REGARDING PENSION COSTS?

A. Yes. ICNU found many of the concerns raised by CUB regarding the use of FAS 87 expense for ratemaking purposes, as well as specific criticisms of the Company's proposal, to be compelling. As a long-term proposition, moving to a cash contribution method for ratemaking purposes as suggested by CUB has significant merits and should be examined closely by the Commission. ICNU plans to retain a pension policy expert to address this and other recommendations in UM 1633.

In the short-term for this proceeding, ICNU could also support CUB's proposal to use a three-year average of actual FAS 87 expense. This proposal is similar in both dollar terms and principle to ICNU's proposal to use 2012 actual FAS 87 expense for ratemaking purposes while awaiting the outcome of the generic pension docket, UM 1633.

Q. HAVE YOU REVIEWED THE TESTIMONY FILED BY THE COMPANY IN RESPONSE TO THE PENSION PROPOSALS OF ICNU AND CUB?

A. Yes. The Company reiterates its proposal for a long-term balancing account for pension expenses and a return on the pre-paid pension asset. The Company also puts forward an alternative proposal to use its traditional method of projected 2014 FAS 87 expense for the rate year.

The Company also criticizes the alternative approaches advanced by ICNU and CUB to use historical actual FAS 87 amounts. The Company states that the ICNU and CUB proposals are "results-based," would erode the basis of the test year, and ignore the issue of the treatment of the pre-paid pension asset.

1 **Q. IS PGE'S TESTIMONY COMPELLING?**

2 **A.** No. First, PGE's ongoing support for its initial long-term proposal for pension cost
3 recovery is unsupportable in light of the ongoing generic docket on pension cost recovery
4 for Oregon utilities. The Commission is currently investigating whether it should
5 maintain or significantly revise its pension cost recovery, including whether the
6 Commission should change its policy and adopt a proposal similar to the one PGE is
7 making in this case. The adoption of PGE's proposal would pre-judge the results of the
8 UM 1633 proceeding, which would be highly inappropriate. Second, PGE's criticisms of
9 ICNU and CUB's suggested approach of using historical FAS 87 expenses for 2014 rates
10 are misguided.

11 **Q. PLEASE RESPOND TO PGE'S CRITICISMS FOR THE USE OF HISTORICAL**
12 **FAS 87 EXPENSE FOR RATEMAKING PURPOSES IN 2014.**

13 **A.** As a first matter, ICNU's proposal is principled and not "results-based." The issue of
14 pension expense in this case is unique in that it is concurrent with a generic docket
15 addressing the same issue. The question therefore is what is an appropriate interim value
16 for ratemaking in this case while the Commission decides the long-term policy questions
17 surrounding utility pension expense. In light of this situation, ICNU believes the use of a
18 FAS 87 based approach in this proceeding is appropriate for the short period of time
19 before an order in UM 1633 is issued.

20 However, ICNU does not support the use of PGE's projected 2014 FAS 87
21 expense value. As demonstrated by CUB witness Bob Jenks in CUB Confidential
22 Exhibit 102, projecting FAS 87 expense is extremely difficult and prone to very
23 significant error. Given this fact, the use of recent, actual historical values is a more
24 appropriate approach than relying on a forecast which is very likely inaccurate and,

1 conveniently for the Company in this case, also projects a higher expense level than any
2 historical year or any other future year going forward. ICNU views the historical
3 approach as prudent ratemaking in light of a questionable expense forecast and not
4 undermining the future test year.

5 Also, ICNU's approach does not "ignore" the issue of the pre-paid pension asset.
6 ICNU strongly rejects the notion that the Company should receive a return on those
7 funds. This is one of a myriad of issues that should be addressed by the Commission in
8 UM 1633. It is worth noting that the Company has managed robust earnings for many
9 years without receiving a return on this asset. Further, the Company's own testimony in
10 this proceeding acknowledges that receipt of a return on pre-paid pension assets is hardly
11 standard regulatory practice, noting that a Staff survey found that less than half of utility
12 commissions allow any type of return on such assets. PGE/1800, Hager-Jaramillo/11,
13 lines 20-21.

14 **Q. WHAT IS YOUR RECOMMENDATION FOR PENSION EXPENSE IN RATES**
15 **IN THIS PROCEEDING?**

16 **A.** In light of the above analysis, I recommend using a historical FAS 87 value for pension
17 expense in this proceeding as an interim measure while these issues are decided
18 generically in UM 1633. ICNU is amenable to either the approach of 2012 actuals as
19 proposed in my direct testimony, or a three-year average of historical values as proposed
20 by CUB. Any decision in this proceeding should not pre-judge the outcome of UM 1633.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 **A.** Yes.