

# Davison Van Cleve PC

Attorneys at Law

TEL (503) 241-7242 • FAX (503) 241-8160 • mail@dvclaw.com  
Suite 400  
333 SW Taylor  
Portland, OR 97204

June 14, 2013

***Via Electronic and U.S. Mail***

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 Direct Testimony and Exhibits of Michael C. Deen on behalf of the Industrial Customers of Northwest Utilities ("ICNU"). Also enclosed are the original and five (5) copies of the confidential pages, which are sealed pursuant to the protective order in this docket.

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

Sincerely yours,

/s/ Jesse Gorsuch  
Jesse Gorsuch

Enclosures

cc: Service List

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing documents upon all parties of record in this proceeding, as listed below, by causing the same to be sent via electronic mail only, as all parties have waived paper service.

Dated at Portland, Oregon, this 14th day of June, 2013.

/s/ Jesse Gorsuch  
Jesse Gorsuch

<b>(W) CITIZENS' UTILITY BOARD OF OREGON</b> OPUC DOCKETS ROBERT JENKS G. CATRIONA MCCrackEN 610 SW BROADWAY, STE 400 PORTLAND OR 97205 dockets@oregoncub.org bob@oregoncub.org catriona@oregon.org	<b>(W) PUC STAFF--DEPARTMENT OF JUSTICE</b> JOHANNA RIEMENSCHNEIDER STEPHANIE S. ANDRUS 1162 COURT ST NE SALEM OR 97301-4096 johanna.riemenschneider@doj.state.or.us stephanie.andrus@state.or.us
<b>(W) BOEHM KURTZ &amp; LOWRY</b> KURT J BOEHM JODY KYLER 36 E SEVENTH ST - STE 1510 CINCINNATI OH 45202 kboehm@bkllawfirm.com jkyler@bkllawfirm.com	<b>(W) BEERY, ELSNER &amp; HAMMOND LLP</b> NANCY L WERNER 1750 SW HARBOR WAY, SUITE 380 PORTLAND OR 97201-5016 nancy@gov-law.com
<b>(W) REGULATORY &amp; COGENERATION SERVICES INC</b> DONALD W SCHOENBECK 900 WASHINGTON ST STE 780 VANCOUVER WA 98660-3455 dws@r-c-s-inc.com	<b>(W) ENERGY STRATEGIES LLC</b> KEVIN HIGGINS 215 STATE ST - STE 200 SALT LAKE CITY UT 84111-2322 khiggins@energystrat.com

<p><b>(W) CABLE HUSTON BENEDICT HAAGENSEN &amp; LLOYD</b>  TOMMY A. BROOKS  CHAD M. STOKES  1001 SW FIFTH AVE, STE 2000  PORTLAND OR 97204-1136  tbrooks@cablehuston.com  cstokes@cablehuston.com</p>	<p><b>(W) BRUBAKER &amp; ASSOCIATES</b>  MICHAEL GORMAN  16690 SWINGLEY RIDGE STE 140  CHESTERFIELD MO 63017  mgorman@consultbai.com</p>
<p><b>(W) LEAGUE OF OREGON CITIES</b>  MAJA HAIUM  TRACY RUTTEN  PO BOX 928  SALEM OR 97308  mhaium@orcities.org  trutten@orcities.org</p>	<p><b>(W) FRED MEYER STORES/KROGER</b>  NONA SOLTERO  3800 SE 22<sup>ND</sup> AVE  PORTLAND OR 97202  nona.soltero@fredmeyer.com</p>
<p><b>(W) NOBLE AMERICAS ENERGY SOLUTIONS, LLC</b>  GREG BASS  401 WEST A ST., STE. 500  SAN DIEGO CA 92101  dockets@mcd-law.com</p>	<p><b>(W) NORTHWEST NATURAL E-FILING</b>  MARK R. THOMPSON  220 NW 2<sup>ND</sup> AVE  PORTLAND OR 97209  efiling@nwnatural.com  mark.thompson@nwnatural.com</p>
<p><b>(W) MCDOWELL RACKNER &amp; GIBSON PC</b>  LISA F. RACKNER  419 SW 11<sup>TH</sup> AVE., SUITE 400  PORTLAND OR 97205  dockets@mcd-law.com</p>	<p><b>(W) RICHARDSON &amp; O'LEARY</b>  GREGORY M. ADAMS  PO BOX 7218  BOISE ID 83702  greg@richardsonandoleary.com</p>

<p><b>(W) PORTLAND GENERAL ELECTRIC</b>  DOUGLAS C. TINGEY 1WTC13  JAY TINKER 1WTC-0702  121 SW SALMON  PORTLAND OR 97205  doug.tingey@pgn.com  dockets@mcd-law.com</p>	<p><b>(W) CITY OF HILLSBORO</b>  ANDREW BARTLETT  150 EAST MAIN ST.  HILLSBORO OR 97123  andrew.bartlett@hillsboro-oregon.gov</p>
<p><b>(W) CITY OF PORTLAND – CITY ATTORNEY’S OFFICE</b>  BENJAMIN WALTERS  1221 SW 4<sup>TH</sup> AVE – RM 430  PORTLAND OR 97204  ben.walters@portlandoregon.gov</p>	<p><b>(W) CITY OF PORTLAND – PLANNING &amp; SUSTAINABILITY</b>  DAVID TOOZE  1900 SW 4<sup>TH</sup> STE 7100  PORTLAND OR 97201  david.tooze@portlandoregon.gov</p>
<p><b>(W) PACIFIC POWER</b>  R. BRYCE DALLEY  825 NE MULTNOMAH ST., STE 2000  PORTLAND OR 97232  bryce.dalley@pacificorp.com</p>	<p><b>(W) PACIFIC POWER</b>  SARAH WALLACE  825 NE MULTNOMAH ST., STE 1800  PORTLAND OR 97232  sarah.wallace@pacificorp.com</p>
<p><b>(W) PACIFICORP, DBA PACIFIC POWER</b>  OREGON DOCKETS  825 NE MULTNOMAH., STE 2000  PORTLAND OR 97232  oregon.dockets@pacificorp.com</p>	<p><b>(W) PUBLIC UTILITY COMMISSION OF OREGON</b>  JUDY JOHNSON  P.O. BOX 2148  SALEM OR 97308-2148  judy.johnson@state.or.us</p>

**(W) TROUTDALE ENERGY CENTER**  
PAULA E. PYRON  
4113 WOLF BERRY CT  
LAKE OSWEGO OR 97035-1827  
ppyron@cpkinder.com

**(W) WAL-MART STORES, INC.**  
**STEVE W CHRISS**  
2001 SE 10<sup>TH</sup> ST.  
BENTONVILLE AR 72716-0550  
stephen.chriss@wal-mart.com

**(W) HUTCHINSON COX COONS ORR  
& SHERLOCK**  
SAMUEL ROBERTS  
777 HIGH ST., STE 200  
SALT LAKE CITY UT 84111-2322

**BEFORE THE OREGON PUBLIC UTILITY COMMISSION**

**UE 262**

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

**CONFIDENTIAL DIRECT TESTIMONY OF MICHAEL C. DEEN**

**ON BEHALF OF**

## THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

**CONFIDENTIAL SUBJECT TO GENERAL PROTECTIVE ORDER**

**June 14, 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. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.**

**A.** I have been involved in the energy industry for over 6 years. During that time, I have served as an analyst and expert on a variety of power supply, cost, ratemaking, and policy topics—primarily regarding the Bonneville Power Administration and Pacific Northwest utilities. I have provided testimony on behalf of the Industrial Customers of Northwest Utilities (“ICNU”) before the Oregon Public Utility Commission (the “Commission” or “OPUC”) in various proceedings regarding Portland General Electric Company (“PGE” or the “Company”) and PacifiCorp. I have also provided testimony on behalf of ICNU before the Washington Utilities and Transportation Commission (“WUTC”) regarding Avista, PacifiCorp, and Puget Sound Energy. I have also provided testimony on natural gas matters regarding Avista on behalf of the Northwest Industrial Gas Users (“NWIGU”) before the WUTC. A further description of my educational background and work experience can be found in Exhibit ICNU/101.

**Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

**A.** I am testifying on behalf of ICNU. ICNU is a non-profit trade association whose members are large industrial consumers of electricity throughout the Pacific Northwest, including customers served by PGE.

1   **Q.    WHAT IS THE PURPOSE OF THIS TESTIMONY?**

2   **A.**My testimony addresses the issue of pension costs included in PGE's rates for the 2014  
3       rate year.

4   **Q.    PLEASE BRIEFLY SUMMARIZE YOUR RECOMMENDATIONS IN THIS**  
5   **PROCEEDING.**

6   **A.**ICNU recommends that the Commission reject PGE's proposed balancing account  
7       approach for pension costs in rates for 2014. While awaiting direction from the  
8       Commission in the UM 1633 pension cost generic docket, PGE should include actual net  
9       FAS 87 pension expense from 2012 of [REDACTED] million as the value for cost recovery of  
10      pension expenses in the 2014 test year.

11   **Q.    IS THE COMMISSION CURRENTLY CONSIDERING THE TREATMENT OF**  
12   **PENSION COSTS IN ANOTHER PROCEEDING?**

13   **A.**Yes. In response to requests by Northwest Natural in its recent general rate case, the  
14      Commission opened the generic docket UM 1633 to investigate the rate treatment of  
15      utility pension costs.

16   **Q.    HOW SHOULD THE OUTCOME OF UM 1633 APPLY TO PGE'S TREATMENT**  
17   **OF PENSION COSTS IN RATES?**

18   **A.**In the long term, PGE should incorporate the Commission's decisions in UM 1633 as  
19      they apply to PGE.

20   **Q.    PLEASE SUMMARIZE THE COMPANY'S PROPOSED RECOVERY OF**  
21   **PENSION COSTS THROUGH RATES IN THIS PROCEEDING.**

22   **A.**As described in PGE/500, the Company is proposing to have the Commission approve a  
23      balancing account and set rates based on a 15-year amortization of PGE's expected net  
24      pension costs during that time, which also includes a carrying cost for the net pre-paid  
25      pension asset. PGE's approach would result in the Company earning a return on some of



its pension expense. For the 2014 test year, PGE's approach would yield a net pension expense of \$19.8 million for recovery in rates.

**Q. SHOULD THE COMMISSION ACCEPT PGE'S USE OF A BALANCING ACCOUNT FOR PENSION EXPENSES IN THIS PROCEEDING?**

**A.** No. PGE's approach should be rejected in this proceeding, because any long-term plan for rate treatment of pension costs should only be adopted as an outcome of the Commission's decisions in the UM 1633 proceeding. I am not testifying regarding what amount of pension costs should be included in rates for the long term, which should be decided in UM 1633.

**Q. WHAT VALUE OF PENSION EXPENSE SHOULD BE INCLUDED IN PGE'S RATES FOR 2014?**

**A.** ICNU proposes that the Company should include actual FAS 87 expenses (net of capitalization) from 2012 for ratemaking purposes in 2013. Based on the Company's response to the Citizens' Utility Board ("CUB") Data Request 003, this value would be approximately [REDACTED] million. Confidential ICNU/102.

**Q. WHY IS THE USE OF ACTUAL NET PENSION EXPENSE FROM 2012 APPROPRIATE FOR THIS PROCEEDING?**

**A.** The use of actual 2012 values has several benefits in this proceeding. First, it is known and measurable (having actually occurred) and therefore not subject to potentially controversial assumptions regarding future cash contributions to the pension fund, interest rates for returns on pension fund assets, and other factors involved in forecasting PGE's actual net pension expenses.

Also, the 2012 actual pension expense value is in line with the Company's long-term expectation of FAS 87 pension expenses. In response to CUB Data Request 003, the Company provided actual FAS 87 pension expenses for 1998 to 2012 and projected

1 values for 2013 through 2028. Based on this data, the Company's average expected FAS  
2 87 pension expense (net of capitalization) for 2013 through 2028 is also approximately  
3 [REDACTED] million. Thus, the 2012 actual value of pension expense matches long-term  
4 expectations extremely closely.

5 Next, use of the 2012 actual value also allows the Company a substantial increase  
6 in pension expense over what it is currently collecting in rates. Currently, approximately  
7 [REDACTED] million of pension expenses are being recovered through rates. Thus, use of the  
8 2012 value would still allow the Company a substantial increase in cost recovery for  
9 2014 of [REDACTED] million relative to current rates.

10 Finally, it essentially maintains the status quo regarding Oregon pension policies  
11 by relying on FAS 87 instead of a balancing account and return on a pre-paid asset.  
12 Using 2012 FAS 87 amounts does not predetermine the issue of pension cost recovery  
13 that is being addressed in UM 1633.

14 In summary, use of the 2012 actual value would use a known and measurable  
15 value to strike a fair balance between near-term cost recovery and long-term expectations  
16 of pension expense, while awaiting long-term direction from the Commission in the UM  
17 1633 proceeding.

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

19 **A.** Yes.

---

**QUALIFICATION STATEMENT OF**

Michael Deen

**Q. PLEASE STATE YOUR NAME, EMPLOYER, 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. IN WHAT CAPACITY ARE YOU EMPLOYED?**

**A.** I am a consultant for the Industrial Customers of Northwest Utilities ("ICNU") and other consumers. ICNU is a non-profit trade association whose members are large industrial customers served by electric utilities throughout the Pacific Northwest, including Portland General Electric.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.**

**A.** I received a B.A. in Psychology from Reed College in May 2006. I have completed coursework in statistics, data analysis, research design, and economics.

**Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.**

**A.** After graduating from Reed, I was employed as a Research Analyst at McCullough Research, a consulting firm in Portland, Oregon specializing in energy policy and litigation support. While at McCullough Research, my duties included the modeling and analysis of both Western and national energy markets. I also provided analysis for use in several proceedings surrounding Enron's role in the Western Energy Crisis of 2000-2001.

From November 2007, through July 2011, I was employed as a policy analyst at the Public Power Council ("PPC"). PPC is a non-profit trade association representing the

1 interests of consumer-owned utilities buying wholesale power and transmission services  
2 from the Bonneville Power Administration (“BPA”). At PPC, I worked extensively on  
3 computer modeling relating to the Residential Exchange Program and other BPA rate  
4 issues. I also provided analysis and commentary for PPC in a variety of BPA processes.  
5 I also was involved in modeling efforts surrounding the potential economic impacts of  
6 various greenhouse gas mitigation proposals on Western electricity markets.

7 Since joining RCS in July 2011 I have served as an analyst and expert witness on  
8 a variety of power supply, cost, ratemaking, and policy topics primarily regarding the  
9 Bonneville Power Administration (“BPA”) and Pacific Northwest utilities.

10 **Q. PLEASE STATE YOUR EXPERIENCE AS A WITNESS IN PREVIOUS**  
11 **PROCEEDINGS.**

12 **A.** I have previously testified in the BPA WP-07 Supplemental, WP-10, TR-10, BP-12 and  
13 REP-12 rate proceedings. I have also testified on behalf of ICNU before the Washington  
14 Utilities and Transportation Commission in proceedings regarding Puget Sound Energy,  
15 PacifiCorp, and Avista as well as before the Oregon Public Utility Commission in  
16 proceedings regarding Portland General Electric and PacifiCorp. Lastly, I have also  
17 testified as an expert on behalf of the Northwest Industrial Gas Users (“NWIGU”) in  
18 proceedings related to Avista regarding natural gas issues.

19 **Q. DOES THIS CONCLUDE THIS TESTIMONY?**

20 **A.** Yes.

**BEFORE THE OREGON PUBLIC UTILITY COMMISSION**

**UE 262**

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC	)
	)
Request For a General Rate Revision	)
<hr/>	)

**CONFIDENTIAL EXHIBIT ICNU/102**

**PGE'S RESPONSE TO CITIZENS' UTILITY BOARD DATA REQUEST 003**

**CONFIDENTIAL SUBJECT TO GENERAL PROTECTIVE ORDER**

**JUNE 14, 2013**

March 29, 2013

TO: Nadine Hanhan  
Citizens' Utility Board of Oregon

FROM: Patrick G. Hager  
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC  
UE 262  
PGE Response to CUB Data Request No. 003  
Dated March 18, 2013**

**Request:**

**UE 262 Exhibit 503(c) relates to pensions. Please provide the historical information for 1998-2013 in the same format.**

**Response:**

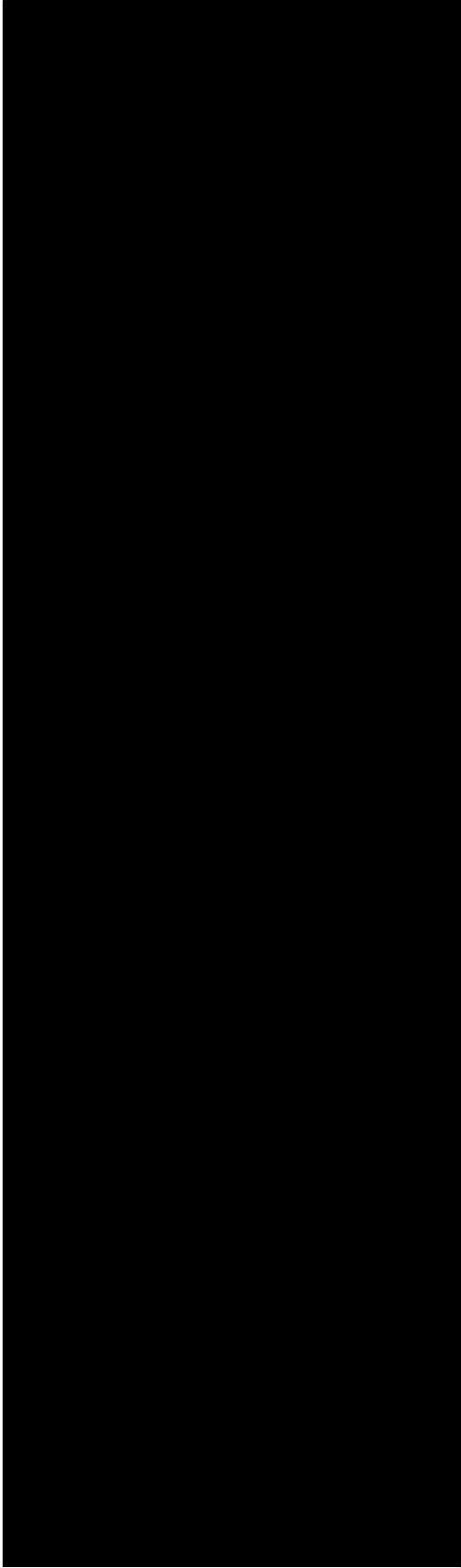
Attachment 003-A contains an updated version of PGE Exhibit 503(c) containing actual gross pension expense, cash contributions, and the composition of the prepaid pension asset going back to 1998. Attachment 003-A is confidential and subject to Protective Order No. 13-042.

**UE 262**

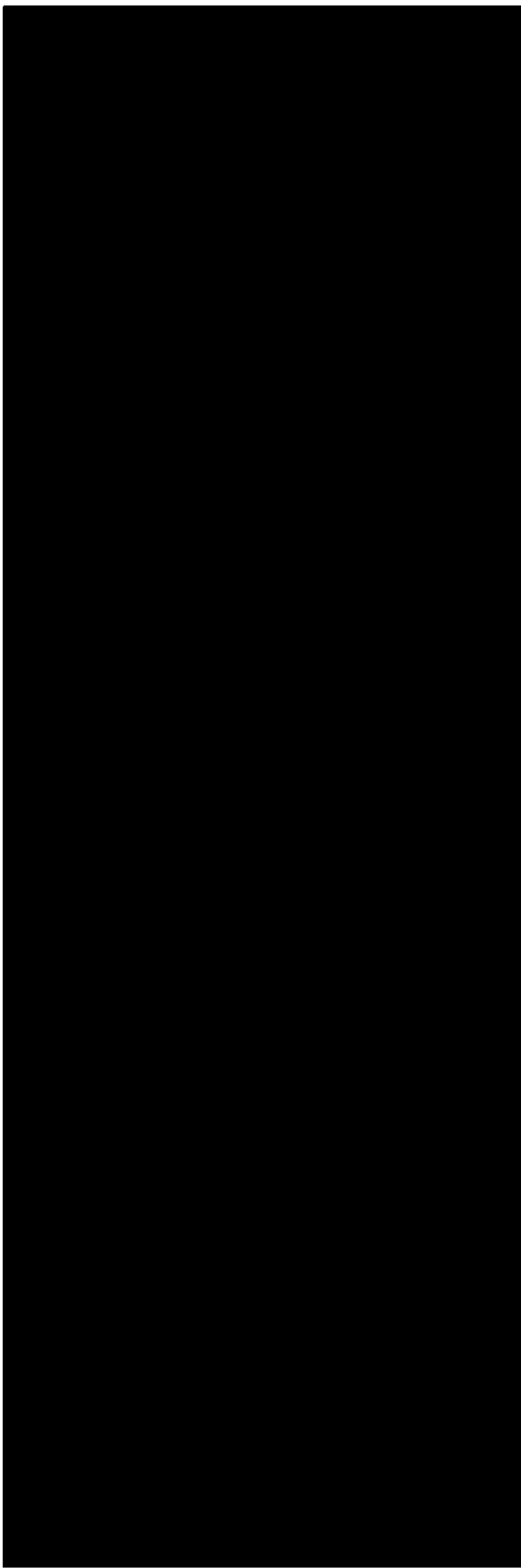
**Attachment 003-A**

**Confidential and Subject to Protective Order No. 13-042**

Updated PGE Exhibit 503C







Redacted  
ICNU/102  
Deen/4