BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 262

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In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY	)
	)
	)
Request for a General Rate Revision.	)
	)

OPENING TESTIMONY

OF THE

CITIZENS' UTILITY BOARD OF OREGON

June 14, 2013

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 262

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Request for a General Rate Revision.	OPENING TESTIMONY OF THE CITIZENS' UTILITY BOARD OF OREGON

My name is Bob Jenks, and my qualifications are listed in CUB Exhibit 101.

I. Introduction

Because I anticipate that most of the items in the General Rate Case will ultimately settle, in my Opening Testimony filed on behalf of CUB, I will only discuss pensions.

PGE proposes a balancing account for its pension expense along with a return on its prepaid asset. CUB opposes PGE's proposal. PGE is trying to paint a picture of utility shareholders making contributions to the pension fund, creating a prepaid asset that then gets amortized through FAS 87 expense. Based on this picture, it is asking that shareholders be compensated for the carrying costs associated with this prepaid asset. While this picture fits well with how capital investment is treated within utility regulation -- capital investments are made and amortized over time and the utility earns a return for putting its capital at risk -- the problem is that this picture is not accurate when applied to pensions. Comparing actual pension accounting with the stylized description presented by PGE is like comparing Picasso's cubist paintings to the models and scenery they are supposed to portray – they are not remotely similar.

CUB's testimony will demonstrate why PGE's portrayal is an inaccurate description of pension accounting; how PGE's proposal will greatly overcharge customers; and how PGE's proposal requires the application of retroactive and single-issue ratemaking.

CUB recommends that the Commission reject PGE's proposal. Rather than focus on artificial items such as prepaid assets, or FAS 87 expense, CUB believes that pension ratemaking should instead focus on cash contributions, since those are the real direct costs to the utility and its shareholders of maintaining the utility's pension plan. If, however, the Commission rejects making a change in pension regulation in this rate case (as opposed to UM 1633), then CUB proposes that FAS 87 expense be forecast based on the recent three year average of those costs.

II. Pension Accounting is Unusual and Should Not Be Viewed as Similar to Treatment of Capital Investments or Expenses.

Pensions are substantively different than other utility costs. Pension contributions are not an investment in an asset that gets amortized over its life. Pension expenses do not represent costs that a utility pays each year. The accurate view of utility pensions is to view them as a Trust that the utility contributes to as part of its employee compensation. The accounting treatment for the Pension Trust should be independent from the operations of the utility. The Commission should concern itself with the date at which pensions impose real costs on the utility, and the burden of those real costs, which are the ***cash contributions***.

A. Definitions.

Let's begin by defining some terms that are critical to an accurate understanding of pension accounting.

i. FAS 87.

According to PGE:

> Pension expense, more formally known as "FAS 87 periodic benefit cost," represents the cost of maintaining an employer's plan, and is reported on the company's income statement. Pension expense consists of the following components: service cost, interest cost, expected return on assets, amortization of prior service cost, and amortization of net gains or losses.[1]

At the March 11, 2013 Pension Workshop before the PUC, the joint utility presentation went into further detail about the elements of FAS 87:

> **Service Cost** (increases expense) represents the present value of additional benefits expected to be earned in the current year.
>
> **Interest Cost** (increases expense) represents interest on the projected benefits obligation due to the passage of time determined using the current discount rate based on high quality corporate bonds.
>
> **Expected Return on Assets** (reduces expense) represents the expected return on plan assets using an assumed ***long-term*** rate of return.
>
> **Amortization of gains or losses** (reduce or increase expense) represents the change in both the pension obligation and the plan assets as compared to actuarial assumptions, including changes that come from changing the plan assumptions. The amortization period is based on the average remaining service period of active employees.

CUB agrees with these descriptions. None of these elements of FAS 87 expense cause the utility to spend any money. In simple terms, FAS 87 represents short term

[1] UE 262/PGE/500/Barnett-Bell-Jaramillo/27.

changes in the value of long term liabilities and assets. It is important to note that what FAS 87 does not do is to amortize the pre-paid asset. Cash contributions increase the total value of pension assets and thus are an element that reduces future FAS 87 expenses. If FAS 87 amortized cash contributions, a cash contribution would increase FAS 87 expense, with the incremental increase amortizing the cash contribution. Because cash contributions increase the expected return, they actually reduce FAS 87. In fact, a utility can make cash contributions to the point of driving FAS 87 expense into negative numbers at which case the negative FAS 87 will by itself increase the prepaid pension asset without any cash contribution.

The other important aspect of FAS 87 is that while it is booked into the income statement of the utility it is not an expense that is actually incurred. A utility's fuel expense is the actual amount that the utility spent on fuel in any particular year. However, a utility's FAS 87 expense is an artificial expense disconnected from the utility's current checkbook and does not correlate to an actual cost being incurred by the utility. It is merely a book keeping record or a paper expense, not an actual cost. Instead a utility's FAS 87 expense represents changes in value of future liabilities and assets, it does not represent costs that are currently being incurred. It was created with the intent to give shareholders a more accurate portrayal of the value of the company, not to define explicit costs incurred. Even PGE recognizes that "pension expense is an accounting concept that is not used to determine legal funding requirements."[2]

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[2] UE 262/PGE/500/Barnett-Bell-Jaramillo/28.

ii. Cash Contributions.

PGE's description of cash contributions focuses on the Pension Protection Act of 2006 (PPA).[3] But utilities made contributions before the PPA. In addition, my understanding is that before moving to FAS 87 expense as the basis of regulatory treatment of pensions, the approach followed was to allow a utility to recover its cash contribution.

Cash contributions therefore predate the PPA. Cash contributions represent the actual money that flows between the utility and the Pension Trust. This is how a utility invests in its pension trust to add to the value. The PPA may have increased the requirements for companies with underfunded pensions to make cash contributions, but cash contributions existed long before the PPA and were and are the real source of money entering pension trusts.

Unlike FAS 87 expense, cash contributions represent real money, not an accounting entry. When a utility makes a cash contribution, it is putting real money into the Pension Trust. CUB is sympathetic with PGE's concern that the current regulatory focus on FAS 87 is disconnected from the actual cost to the utility of its pension fund: the cash contribution.

iii. Prepaid Pension Asset.

In a footnote, PGE offers its definition of Prepaid Pension Asset:

> Cash contributions made in excess of FAS 87 expense and not recognized on the income statement.[4]

CUB and PGE disagree on the definition of prepaid assets. According to the CPA Journal, prepaid pension cost "is the net of a firm's pension assets, liabilities and

[3] UE 262/PGE/500/Barnett-Bell-Jaramillo/28-29.
[4] UE 262/PGE/500/Barnett-Bell-Jaramillo/30, footnote 11.

unrecognized amounts."[5] While this is a reference to a prepaid cost, rather than a prepaid asset, it is consistent with PGE's accounting treatment of prepaid assets.

CUB's Confidential Exhibit 102 [redacted].

[redacted].

Assuming that the unrecognized amounts and the [redacted] represent the same thing (discussed below) then the CPA Journal definition and PGE's accounting are similar. It is important to recognize that this definition and arithmetic formula do not contain either the cash contribution or the pension expense, though the items that influence FAS 87 expense are elements of this equation and cash contributions are elements of pension assets. But more is going on to create the prepaid asset than simply the making of cash contributions.

This can be observed again by referring to CUB Confidential Exhibit 102 which shows the prepaid asset grew from [redacted] without any cash contributions. Cash contributions from shareholders cannot be the sole source of prepaid assets, if the prepaid asset can grow from [redacted] without a cash contribution. [redacted]

[5] Kenneth W. Shaw "New Accounting Rules for Defined Benefit Pension Plans," The CPA Journal, March 2008, page 1.

[redacted].

B. Reality of Pension Accounting -- Gains and Losses and Interest Rates are more important than Cash Contributions.

As we can see by these refinements of the definitions and the real world examples of what is actually transpiring, the real world of pension accounting is much more complicated than the utilities describe. Prepaid assets do not simply represent cash contributions made by shareholders. At the same time, pension expense does not amortize pension contributions (prepaid or not). But the discussion about prepaid assets, FAS 87, and cash contributions obscures the fact that the most important factors influencing pension funding, and the need for cash contributions, are the gains and losses from investments and the interest rates used to discount future liabilities.

Utilities make cash contributions to pensions, those contributions become assets that are invested to appreciate, in order to fund pension payments. The chart below shows that there are significant swings in the value of pension assets based on these investments. PGE projected a 9% return on pension assets from 1998 to 2008 (more recently lowering it to 8.5 and 8.25%), but over the last 15 years 67% of the time pension gains and losses have been in double digits. And, eighty percent of the time, the assets have had a positive gain.[6]

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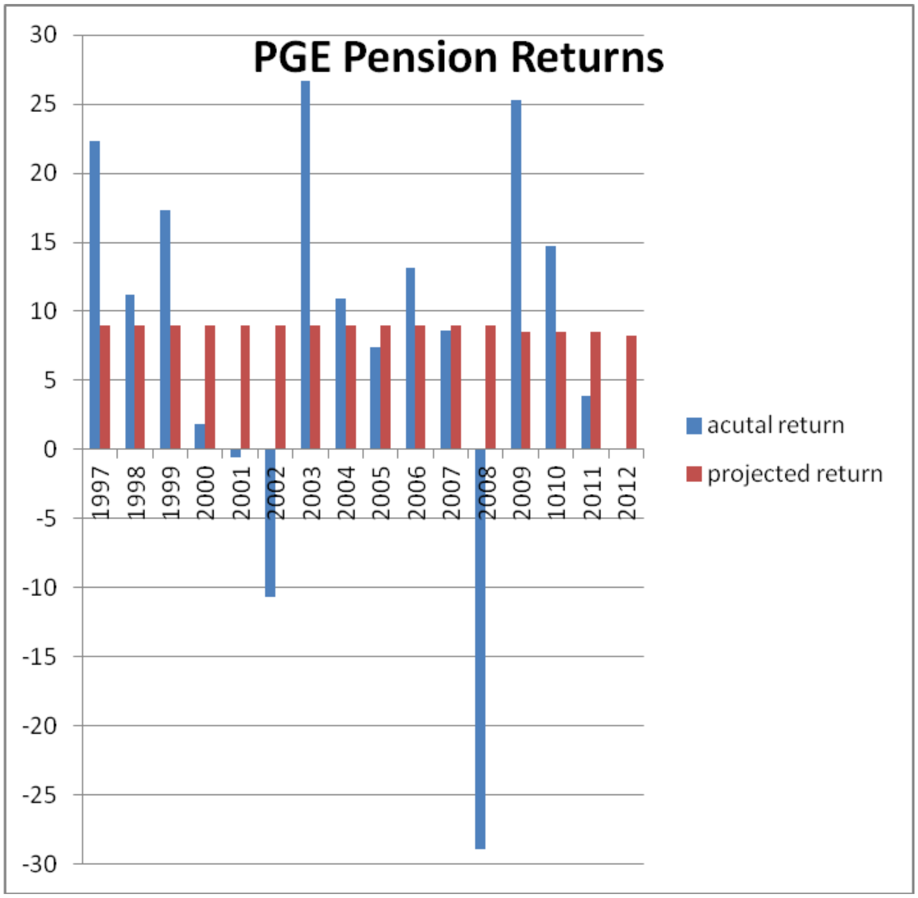
[6] CUB Exhibit 103.



The other big driver of changes to the pension fund is interest rates, which have a large impact on future liability. A low interest rate increases future pension liabilities in comparison to a higher interest rate because it raises the discount rate applied to future liabilities PGE's pension liability increased by [redacted] in 2012 alone.[7]

It is the combination of these two things -- gains and losses and interest rates - more than cash contributions -- that contribute to the funding level of the pension.[8]

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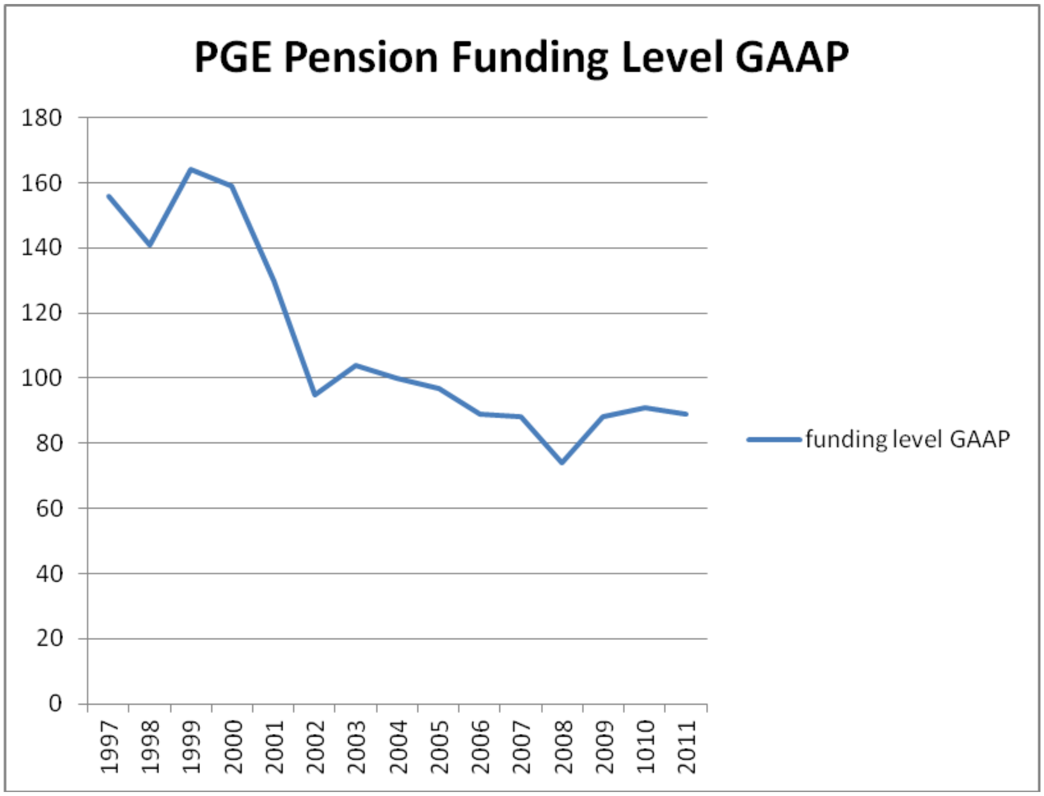
[7] CUB Confidential Exhibit 102.
[8] CUB Exhibit 103.



This chart shows a great deal of movement over time and from year-to-year. By looking at this chart it would be hard to identify that 2005, 2010 and 2011 were the years that the PGE made cash contributions. PGE's funding level went up in 1999, 2003, 2009, and 2010. Moreover, 2010 was the only year that the funding level went up in a year when the Company made a cash contribution. Instead the years that the funding level went up were the years that PGE had returns that were significantly above projected returns (17.3% in 1999, 26.71% in 2003, 25.3 % in 2009 and 14.7% in 2010).

C. PGE's Short-Term Forecast Is Unreliable.

PGE presents a projection of the pension expenses, liabilities and cash contributions, but this forecast is highly unreliable because it is based on long-term actuarial projects, that under project likely returns and over project future liability and therefore over project the need for cash contributions.

According to this forecast, after making only a total of three cash contributions over the past 15 years, including no cash contributions in 2012 and 2013, PGE is expecting to make a cash contribution every year starting [redacted].[9] The reason for this is that the projections are based on a forecast that assumes the only source of rebalancing the pension is cash contributions. If one assumes there will never be appreciation that is greater than 7.5%[10] (a number that is lower than PGE projected annual returns from 1998 to 2012), and interest rates never increase from their current historically low levels, then the only source of closing the funding gap and achieving full funding is through the making of cash contributions.

Historically, the largest drivers of pension values are gains and losses and interest rates. PGE's short-term forecast assumes that gains will be 7.5% and interest rates will remain at the current low level. For long term actuarial results, the 7.5% return may be reasonable, because over the next 50 years, there will likely be economic expansions and contractions. But PGE is likely to have returns that are greater than that in a short term forecast. The mean for PGE's returns over the last 15 years is 10.83%.[11] In addition, the assumption that interest rates will remain at their current level through 2029 is highly speculative.

PGE’s need to make cash contributions is probably much lower than the Company is projecting. But regardless of the amount of cash contributions that PGE will make, CUB believes they represent real costs to the utility and it is reasonable for the utility to recover those cash contributions.

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[9] CUB Confidential Exhibit 102.
[10] UE 262 PGE/500 Barnett-Bell-Jaramillo/27.
[11] CUB Exhibit 103.

III. How PGE's proposal will overcharge customers

Because the value of the prepaid asset is not related solely to cash contributions, allowing a return on the prepaid asset will lead to overcharging customers.

PGE's prepaid asset first appeared in 1999. CUB Confidential Exhibit 102 demonstrates that if customers were required to pay a return on the prepaid asset going back to 1999, customers would have paid [redacted] to shareholders as return on the prepaid asset. During that same period of time shareholders would have made [redacted] in cash contributions.[12,13] From 1999 to 2004 the prepaid asset grew to [redacted] without any cash contributions. During this time customers would have paid [redacted] in return on this growing prepaid asset that was clearly unrelated to cash contributions. PGE may argue that under its theory this amount would have been offset by [redacted], but CUB notes that customer rates, which in theory were based on FAS 87, did not include [redacted].[14] While [redacted], rather than cash contributions, contributed to the prepaid asset, rates never included the [redacted] amount. The total amount of FAS 87 expense during 1998 to 2012 was [redacted] and the amount in rates was [redacted]. This means that between 1998 and 2012, customers over paid FAS 87 by [redacted]. During this same period of time shareholders contributed [redacted] in cash contributions to the pension. There is no basis for PGE to claim that there is a prepaid asset that can be considered to be the cash contributions that the Company has not been compensated for. Since the prepaid asset showed up, customers have overpaid FAS 87 by more than the cash contribution made by PGE. If the prepaid asset represents the cash contributions in excess of FAS 87 expense, then

[12] CUB Confidential Exhibit 102.
[13] Based on grossing up PGE's return on assets for taxes, and adjusting to 2012 dollars.
[14] CUB Exhibit 103.

customer have paid PGE [redacted] in excess of FAS 87 expense, since the prepaid asset first appeared. PGE is fully compensated for its cash contributions and its FAS 87 Expense.

IV. PGE's proposal violates the general prohibitions on single issue and retroactive ratemaking

PGE is claiming a return on a prepaid asset that it purports represents cash contributions that are in excess of FAS 87. However, because FAS 87 on the books is rarely the same as FAS 87 for ratemaking purposes (considering the factors that determine FAS 87, it is nearly impossible to forecast FAS 87), to determine whether the utility has been under-compensated requires us to go back more than a decade and retroactively true up these figures. The Commission would need to look back historically and see if the prepaid asset was really derived from cash contributions or something else (such as [redacted]). While CUB's analysis went back to 1998 and captured the beginning of PGE's current prepaid asset in 1999, accuracy would necessitate that such a review would go back to the transitional period when Oregon moved from a cash contribution approach to the FAS 87 approach.

While the utilities who are advocating this approach claim the method does not involve retroactive ratemaking - because they are only looking for a return on the prepaid asset going forward - in order for the Commission to verify that the prepaid asset really exists, that the prepaid asset really represents cash contributions in excess of FAS 87, and also to verify that customers have not already compensated the utility for its cash contributions by overpaying FAS 87, would require a historic true up of pension-related costs and revenues that would violate the general prohibition on retroactive ratemaking and the general prohibition on single issue ratemaking.

One of the problems with retroactive ratemaking is that it changes the value of existing assets which should have been evaluated by investors as part of their due diligence. When Enron spun PGE off as an independent entity in 2005, it was valued and that evaluation should have recognized that there was a non-income producing asset (prepaid pension asset) worth [redacted].[15] PGE is asking the Commission to give value to that asset when investors should have already evaluated as not having value. This creates a shareholder windfall that serves no purpose. This asset has existed for nearly 15 years, so its regulatory treatment is priced into PGE's stock price. Changing the rules and creating value where it did not previously exist is simply a transfer of money from customers to shareholders.

CUB believes that the disconnect between FAS 87 and pension contributions can be solved on a going forward basis, in a way that protects shareholders from not under-recovering cash contributions and ensures customers only pay pension costs that are real and necessary. This can be done without violating retroactive ratemaking or single issue ratemaking in a manner that is fair to everyone

V. Pension Expense versus Pension Contributions: one or the other, not both

FAS 87 expense is not a real expense, rather it is an “accounting concept” that represents the one-year change in long-term values associated with the pension. Therefore, FAS 87 does not require money to change hands. FAS 87 expenses are difficult to accurately forecast leading to customers overpaying PGE’s FAS 87 expense

[15] CUB Confidential Exhibit 102.

[redacted]. Cash contributions, on the other hand, are real, actual, costs that a utility incurs in order to fund its pension. For ratemaking purposes, only one of these methodologies should be used.

Because the prepaid asset does not in fact amortize down with FAS 87 – PGE's prepaid asset showed up in 1999 and has continued to grow to today – a return on prepaid assets is simply a way to get customers to provide a stream of money to the company forever.

Based on the pension workshops, it is CUB's understanding that pension accounting was done on a cash contribution basis before the implementation of FAS 87 rules which took place around 1986. Since then, Oregon has used FAS 87 as the basis of ratemaking. Idaho, on the other hand, did not convert to FAS 87 for ratemaking purposes. In Idaho, Idaho Power continues to use cash contributions as the basis for it pension ratemaking.

CUB is sympathetic to PGE's concerns that FAS 87 will not necessarily fully compensate the utility for its cash contributions in the future -- since that is not the purpose of FAS 87. But the solution to that problem is not to start paying PGE a return on an asset for which it has already been fully compensated, rather the solution should be to switch back to a method that provides for recovery of cash contributions.

The good news is that because PGE has been fully (a bit more than fully, but the regulatory compact is not perfect) compensated for its cash contributions through 2012, and the Company is not proposing that any cash contribution be made in 2013 before the test year, there is the opportunity to require that the utility make a fresh start on accounting for its pension cash contributions.

VI. CUB Proposal.

CUB generally agrees with the utilities that FAS 87 is not a good approach to pensions, but our reasons are different. FAS 87 is difficult to forecast. As we can see from CUB Confidential Exhibit 102, inclusion of FAS 87 expense in rates is [redacted]. Using such an inaccurate number to forecast an expense is troublesome.

In addition, it should be recognized that FAS 87 is not a traditional expense. It does not represent a real cost to the utility. It is an "accounting concept" that is poorly suited for ratemaking.

The PUC should reject PGE's proposal to set up a balancing account to recover a return on its prepaid asset and its FAS 87 expense. CUB notes that PGE's balancing account seems to move some FAS 87 expense out of 2013 and into 2014, which is also improper since the test year in the case is 2014 and expenses in 2013 should be removed.[16]

CUB further recommends that PGE switch back to a cash contribution recovery mechanism for pensions. CUB believes that PGE has been made whole for its cash contributions through 2012. The Company forecasts no cash contribution in 2013.

CUB proposes a 5 year amortization period for cash contributions because of their lumpy nature (PGE has made 3 in 15 years), with the utility earning a return on its asset at the Company's ROR. (It is ironic that customers are expected to pay a return at the company's ROR, when PGE is assuming its investment will earn a return of 7.5% -- this

[16] CUB Confidential Exhibit 102.

suggests that if PGE's actuarial assumptions are correct, customers could be better off funding the pension payment to retirees directly).

CUB recognized that the PUC might want to wait until the completion of UM 1633 before changing how pension costs are treated. If this is the case, then CUB recommends that the Commission take the average of the last three years of FAS 87 expense (2010 2011, and 2012) and use this to forecast FAS 87 expenses in the test year. That amount would be [redacted].[17]

[17] CUB Confidential Exhibit 102.

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 400
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EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UE 207, UE 208, UE 210, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, UM 1209, UM 1355, UM 1635, UE 233, and UE 246. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, OSPIRG Citizen Lobby
Telecommunications Policy Committee, Consumer Federation of America
Electricity Policy Committee, Consumer Federation of America

UE 262 - CUB Exhibit 102

CONFIDENTIAL

February 20, 2013

TO: Gordon Feighner
Citizens' Utility Board of Oregon

FROM: Patrick G. Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UM 1633
PGE Response to CUB Data Request No. 002
Dated February 6, 2013

Request:

With regard to pensions contributions over the past 15 years:

a. **For each year, what amount was recovered in rates through FAS 87 or any other Commission-approved mechanism?**
b. **Please identify which years reflect rate case test years. For non-rate case test years, what is the basis for determining the amount that was recovered in rates?**
c. **For each year, what was the ratepayer funded FAS 87 expense?**
d. **For each year, what expense did the Company incur in excess of FAS 87?**
e. **For each year, what was the Company's pension obligation as dictated by federal or state law, including but not limited to, the Pension Protection Act (PPA) and ERISA? Please provide a comprehensive list of any and all federal or state sources of law that the Company relied upon in determining its pension obligation each year.**
f. **For each year, what dollar amount did the Company contribute to its pension fund?**
g. **What, if any, deferrals, balancing accounts or other mechanisms did the Company apply to use?**
h. **For each year, what, if any, deferrals, balancing accounts or other mechanisms did the Company actually utilize?**
i. **For each year, what were the projected returns on plan assets?**

j. **For each year, what were the actual returns on plan assets?**
k. **For each year, was the pension fund over-funded or under-funded with regard to legal funding requirements?**
    i. **If under-funded, by how much?**
    ii. **If over-funded, by how much?**
l. **For each year, did the Company make contributions in excess of what was required by law, including but not limited to the PPA and ERISA?**
    i. **If yes, please answer the following:**
        1. **When were the excess contributions made?**
        2. **What was the justification for making the excess contributions?**
        3. **How much did the Company contribute in excess of legally required amounts?**
        4. **Were there tax benefits associated with any contributions made in excess of what was required by law? By year, what was the amount of tax benefits? Were the tax benefits passed through to customers?**
m. **For each year, what were the Company's earnings based on Results of Operations (ROO) on both a normalized and un-adjusted basis?**
n. **For each year, if the Company did not contribute to its pension fund, what was the basis for the decision not to contribute?**
o. **For each year, what, if any, tax benefits were associated with each year's pension contributions and expenses?**
p. **For each year, what organization managed the Company's pension fund investments?**
q. **For each year, what policies and controls were in place to restrict investment decisions that affect affiliates?**
r. **For each year, were there any of the following that were part of the pension plans:**
    i. **Non-utility employees?**
    ii. **Affiliate employees?**
    iii. **Un-regulated activity employees?**
    iv. **If yes to any of the above, how have FAS 87 contributions and contributions in excess of FAS 87 taken into account any and all of the types of employees listed above? What mechanisms are in place to ensure that ratepayers are only paying their regulated share of such contributions?**
s. **For each year, was the pension plan open to executive and management level employees?**
    i. **If yes, were salary and bonuses not paid by customers used to calculate the appropriate level of pension contribution for each executive and management employee?**

Response:

a. The amount used for setting rates in 1997 was approximately $0.8 million (this amount is approximate as PGE agreed to an overall reduction to its rate case request of approximately 5%), $0 in 2002, $1.1 million in 2007, $0 in 2009, and $5.1 million in 2011. PGE's recovery for this time period was solely FAS 87 pension expense.

…

i. Expected returns:
   - 1998-2008: 9.0%
   - 2009-2011: 8.5%
   - 2012: 8.25%

j. Actual returns:
   - 1997: 22.30%
   - 1998: 11.20%
   - 1999: 17.31%
   - 2000: 1.88%
   - 2001: -0.56%
   - 2002: -10.71%
   - 2003: 26.71%
   - 2004: 10.88%
   - 2005: 7.42%
   - 2006: 13.11%
   - 2007: 8.56%
   - 2008: -28.90%
   - 2009: 25.30%
   - 2010: 14.71%
   - 2011: 3.89%

k. See below.
   - 1997: 156% on a GAAP basis ($135 million overfunded)
   - 1998: 141% on a GAAP basis ($117 million overfunded)
   - 1999: 164% on a GAAP basis ($172 million overfunded)
   - 2000: 159% on a GAAP basis ($158 million overfunded)
   - 2001: 130% on a GAAP basis ($91 million overfunded)
   - 2002: 95% on a GAAP basis ($16 million underfunded)
   - 2003: 104% on a GAAP basis ($15 million overfunded)
   - 2004: 100% on a GAAP basis ($2 million overfunded)
   - 2005: 97% on a GAAP basis ($14 million underfunded)

- 2006: 89% on a GAAP basis ($56 million underfunded)
- 2007: 88% on a GAAP basis ($55 million underfunded)

Beginning in 2008, the PPA outlined an alternative method for calculating the pension liability.

- 2008: 113% on a PPA basis ($120 million underfunded)
  74% on a GAAP basis
- 2009: 106% on a PPA basis
  88% on a GAAP basis ($85 million underfunded)
- 2010: 88% on a PPA basis
  91% on a GAAP basis ($47 million underfunded)
- 2011: 101.35% on a PPA basis
  89% on a GAAP basis ($68 million underfunded)

UE 262 – CERTIFICATE OF SERVICE

I hereby certify that, on this 14th day of June, 2013, I served the foregoing **OPENING TESTIMONY OF THE CITIZENS' UTILITY BOARD OF OREGON** in docket UE 262 upon each party listed in the UE 262 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

(W denotes waiver of paper service)

(C denotes service of Confidential material authorized)

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