Oregon

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August 6, 2013

Via Electronic Filing

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

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

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Rebuttal Testimony.

/s/ Kay Barnes
Kay Barnes
Filing on Behalf of Public Utility Commission Staff
(503) 378-5763
Email: kay.barnes@state.or.us

c: UE 262 Service List (parties)

PUBLIC UTILITY COMMISSION OF OREGON

UE 262

STAFF REBUTTAL TESTIMONY OF

BRIAN BAHR

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

August 6, 2013

CASE: UE 262
WITNESS: BRIAN BAHR

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 500

Rebuttal Testimony

August 6, 2013

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Brian Bahr. I am a Senior Utility Analyst in the Energy - Rates, Finance, & Audit Section of the Oregon Public Utility Commission. My current business address is 3930 Fairview Industrial Dr SE, Salem, Oregon 97302.

Q. ARE YOU THE SAME BRIAN BAHR WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDNG?

A. Yes. I filed testimony previously in this case, designated as Exhibit Staff/200.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address the issue of pension cost recovery and review the testimony submitted, to date, by other parties in this docket.

Q. WHAT IS PGE'S PROPOSED TREATMENT OF PENSION COSTS?

A. PGE's proposed treatment for recovery of pension costs is comprised of three facets:

1) The continued use of Financial Accounting Statement (FAS) 87 to determine pension expense in the revenue requirement;
2) A return on the cumulative cash contributions in excess of the FAS 87 expenses cumulatively incurred to date (Prepaid Pension Asset or PPA);[1] and,
3) A balancing account that would include both the return on the prepaid pension asset and the difference between the forecasted FAS 87

[1] *See* PGE's response to Staff Data Request No. 14 in Docket No. UM 1633, included as Exhibit Staff/501, Bahr/1.

pension expense set in rates and the Company's actual FAS 87 annual pension expense.

Should the Commission not approve the return on prepaid pension asset and the balancing account, PGE proposes that rates should be set using the forecasted 2014 test year FAS 87 expense.[2]

Q. WHAT IS CUB'S PROPOSED TREATMENT OF PENSION COSTS?

A. In response to PGE's proposed treatment of pension costs, CUB recommends the following:

1) Replace the use of FAS 87 for the purpose of setting rates with a method that would recover actual cash contributions; and
2) Allow no return on the "prepaid pension asset."

Should the Commission not approve CUB's proposed recovery method of cash contributions, CUB recommends using a proxy for the test year FAS 87 forecasted expense of the average annual actual FAS 87 expense amounts for the years 2010, 2011, and 2012.[3]

Q. WHAT IS ICNU'S PROPOSED TREATMENT OF PENSION COSTS?

A. ICNU recommends the Commission not approve PGE's proposed treatment of pension costs. Alternatively, ICNU proposes the 2012 FAS 87 expense amount be used rather than the forecasted 2014 test year FAS 87 expense.[4]

Q. DOES STAFF HAVE A RECOMMENDATION AT THIS TIME FOR HOW PENSION COSTS SHOULD BE RECOVERED BY THE COMPANY?

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[2] *See* lines 3-11 of Exhibit PGE/500, Barnett-Bell-Jaramillo/30 as well as lines 3-12 of Exhibit PGE/1800, Hager-Jaramillo/2.
[3] *See* line 15 of Exhibit CUB/100, Jenks/15 through line 7 of Exhibit CUB/100, Jenks/16.
[4] *See* lines 6-10 of Exhibit ICNU/100, Deen/2.

A. Yes. Given the significant nature of this issue and the corresponding generic investigation into the treatment of pension costs currently underway, Staff recommends at this time that the Commission approve PGE's forecasted 2014 FAS 87 test year expense for use in setting rates. Additionally, Staff recommends the variance between the forecasted FAS 87 2014 test year expense and the actual 2014 FAS 87 expense be captured in a deferral. At this time, Staff opposes implementing a different pension cost recovery method than the one historically approved by the Commission.

By making this recommendation, Staff does not necessarily suggest this will be the most appropriate cost recovery method going forward, only that given the information and review conducted to date specific to PGE, a change in recovery method is not merited at this time. Staff's recommendation is based on the Commission's statement regarding pension policy in Order No. 12-437:

> *Since we adopted our existing policy, there have been a number of changes to federal law and in the markets that make it appropriate to revisit our policies on the ratemaking treatment of pension costs. We are not, however, willing to adopt a specific policy change in this docket. While we are willing to explore the possibility of new methodologies, we are not yet convinced that a change to the Commission's existing policy is warranted. Moreover, even if we were convinced a change was warranted, there are a number of potentially appropriate ways to treat pension costs (including the policy we currently have in place),[footnote omitted] and we are not persuaded that NW Natural's proposal is the most appropriate. Because any policy change would affect all utilities, we believe a generic docket is the appropriate place to address such a far-ranging policy issue.*
>
> *The Commission may conclude during the generic investigation that including such assets [the prepaid pension asset] in rate base is an appropriate policy to apply to all*

> *utilities going forward. Should that occur, NW Natural would be able to seek inclusion of an appropriate prepaid pension asset in rate base in a future rate proceeding.*

Q. GIVEN THE COMMISSION'S STATEMENT IN ORDER NO. 12-437, DID STAFF ANALYZE THE PROPOSALS OF THE COMPANY AND THE INTERVENORS?

A. Yes. While the generic investigation into pension cost recovery methods, Docket No. UM 1633, is ongoing, Staff is also responsible for analyzing the Company's proposed recovery method as well as those proposed by Intervenors in this docket. Staff does not view it as reasonable to deny the Company recovery of prudently-incurred pension-related costs in this docket due to the ongoing UM 1633 investigation. Therefore Staff analyzed the issue and the testimony of other parties to develop Staff's position as to the treatment of pensions for purposes of establishing rates in Docket No. UE 262.

Q. HOW DID STAFF EVALUATE THE VARIOUS PROPOSALS FOR RECOVERY OF PENSION COSTS BY THE VARIOUS PARTIES?

A. Staff considered four questions in its evaluation of the various proposals:

1) What is PGE's actual cost of providing fair compensation to its employees (including pensions);
2) Were PGE's actual costs prudently incurred;
3) Is there a difference between PGE's actual past FAS 87 expenses and the amounts included in rates; and,
4) What is the most appropriate method, including consideration of intergenerational equity, to allow the Company recovery of those costs?

Q. WHAT IS THE ACTUAL COST INCURRED BY PGE IN PROVIDING DEFINED BENEFIT PENSIONS TO ITS EMPLOYEES?

A. Obviously, the accounting for defined benefit pension plans can be quite complicated. Prior to the implementation of FAS 87, cash contributions were typically used by utilities as the most accurate representation of pension costs incurred by a company. At first glance, this seems fairly simple and reasonable. In fact, CUB has proposed reverting to this method on a forward-going basis for recovery of pension costs based in large part on this reasoning.[5]

The issue becomes more complicated when one looks at the issue from the standpoint of accrual accounting as well as consideration of whether this method accurately matches the timing of the costs from an intergenerational equity standpoint, e.g. is it reasonable for future customers to potentially pay no pension-related costs as those costs were funded by current customers? This line of inquiry gave rise in 1985 to FAS 87, which is the accounting profession's best attempt at defining what a company's actual pension costs are on an annual accrual basis. This is done through actuarial forecasts and accounting formula.

Parties in this docket have suggested that FAS 87 has not succeeded in this role, at least not for regulatory purposes. CUB states that FAS 87 was implemented for the purpose of valuing a company, not for setting rates.[6] PGE, in its testimony, describes how immaterial differences between the

[5] *See* line 22 of Exhibit CUB/100, Jenks/2 through line two of Exhibit CUB/100, Jenks/3.
[6] *See* lines 17-19 of Exhibit CUB/100, Jenks/4.

amount of cash contributed and actual expense incurred grew to be quite substantial following the passing of the federal Pension Protection Act in 2006 and the economic recession in 2008.[7] PGE also expounds on the differences between actual expenses, incurred expenses, and accrued expenses.[8] In advocating for a return on its prepaid asset, PGE asserts that while FAS 87 does eventually allow for recovery of cash contributions, it does not account for the time value of money for the amount of cash contributed but not yet recognized by FAS 87 expense.[9]

Q. WERE PGE'S PENSION COSTS PRUDENTLY INCURRED?

A. Yes, PGE's pension costs were prudently incurred. PGE's contributions were within the acceptable "window," defined at the lower parameter as the contributions necessary to meet ERISA minimum funding requirements and at the upper parameter by the amount PGE could claim as a deduction on its tax returns. The decision to make the contributions, and their amount, was generally determined by adherence to Generally Accepted Accounting Principles (GAAP) prescribing minimum contribution amounts.[10]

In its response to Staff Data Request No. 335, PGE demonstrates that its performance relative to all other companies in Mercer's database ranked in the top two percent in 2012 and in the top 11 percent from 2008 through 2012.[11]

Staff also compared PGE's pension investment portfolio returns over the past

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[7] *See* lines 16-22 of Exhibit PGE/1800, Hager-Jaramillo/1.
[8] *See* lines 7-16 of Exhibit PGE/1800, Hager-Jaramillo/5.
[9] *See* PGE's responses to Staff Data Requests No. 5 and No. 7 of Docket No. UM 1633, included as Exhibit Staff/501, Bahr/2 and Exhibit Staff/501, Bahr/3, respectively.
[10] *See* PGE's response to Staff Data Request No. 337, included as Exhibit Staff/501, Bahr/4.1-4.2.
[11] *See* PGE's response to Staff Data Request No. 335, included as Exhibit Staff/501, Bahr/5. Note that the confidential attachment has been omitted by Staff.

five years with the other electric and gas utilities regulated by the Commission and found PGE's results better than the average in four of the past five years. Relative to the other Oregon utilities, PGE's trend of investment returns appears very comparable. According to PGE, its favorable returns resulted in lower FAS 87 expense, which in turn increases the Prepaid Pension Asset.[12]

Q. IS THERE A DIFFERENCE BETWEEN PGE'S ACTUAL PAST FAS 87 EXPENSES AND THE AMOUNTS INCLUDED IN RATES?

A. Yes. Based on information provided by the Company, there has been a significant difference between the amount of annual FAS 87 expense incurred by the Company and recovered in rates.[13] This difference resulted primarily from the variability of FAS 87 forecasts.

Q. WHAT METHOD OF PENSION COST RECOVERY RESULTS IN THE MOST FAIR AND REASONABLE RATES TO CUSTOMERS?

A. The key to answering this question is to consider how to appropriately allocate actual pension costs to customers over an appropriate time-frame. PGE recommends the continued use of the FAS 87 accounting formula which includes projections and estimates, as well as the return on the Prepaid Pension Asset. PGE asserts that switching to the cash contribution recovery

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[12] *See* PGE's response to Staff Data Request No. 348, included as Exhibit Staff/501, Bahr/6.1-6.5.
[13] *See* PGE's response to CUB Data Request No. 3, included in CUB's reply testimony as Exhibit CUB/102.

method proposed by CUB would be disastrous financially for the Company, as it would require the Company to write off a very large asset.[14]

CUB recommends that the best method of recovering pension costs is to simply allow the company to recover the cash payments it makes. CUB's approach will achieve a closer match between actual pension costs and recovery in rates, whereas PGE's approach, in theory, will achieve a more equitable recovery of pension costs over time.

Q. WHAT DOES STAFF RECOMMEND AT THIS TIME REGARDING THE METHOD OF RECOVERY FOR PENSION COSTS?

Staff recommends at this time continued use of FAS 87 as the data does not support moving from the Commission's historical ratemaking practice. Staff also recommends the variance between the forecasted FAS 87 2014 test year expense and the actual 2014 FAS 87 expense be captured in a deferral. Docket No. UM 1633 will allow for continued review and provide the Commission a forum for considering moving to a different approach with variants of an overall policy based on company-specific circumstances.

Staff's proposal results in the Company's test year pension expense being $23.6 million, which may then be trued up to the actual expense amount. Under the Company's proposal, the annual expense amount would be $19.8 million, but include the return on the prepaid asset and an amortization period of 15 years.

[14] *See* lines 6-19 of Exhibit PGE/1800, Hager-Jaramillo/14 as well as PGE's response to Staff Data Request No. 346, included as Exhibit Staff/501, Bahr/7.1-7.2. Note that confidential attachments have been omitted by Staff.

Regarding the proposals from CUB and ICNU to use past actual FAS 87 expense amounts instead of the forecasted 2014 FAS 87 test year amount, Staff does not support these recommendations.

Q. ARE THERE ANY ADDITIONAL ISSUES STAFF DESIRES TO ADDRESS IN TESTIMONY?

A. Yes, Staff wishes to expound further on why Staff does not recommend the Commission grant a recovery on the prepaid asset.

Q. PLEASE DESCRIBE PGE'S REASONING FOR PROPOSING A RETURN ON THE PREPAID PENSION ASSET.

A. The Company defines the Prepaid Pension Asset as cash contributions in excess of the Company's FAS 87 expense.[15] PGE states that the significant growth of the Prepaid Pension Asset was due principally to the enactment of the Pension Protection Act in 2006 and the economic recession beginning in 2008. These two events spurred PGE to request a return on its Prepaid Pension Asset in the current rate case. Prior to 2005, the growth of the Prepaid Pension Asset was due to the Company's cash contributions, lower FAS 87 expense due to high investment returns, and other factors relating to FAS 87.[16]

Q. WHY DOES CUB ASSERT THAT NO RETURN ON THE PREPAID ASSET IS APPROPRIATE?

A. CUB argues that a company's true pension cost is actually the cash it contributes to its pension fund. CUB demonstrates in its testimony that the

[15] *See* line 8 of Exhibit PGE/1800, Hager-Jaramillo/7.
[16] *See* PGE's response to Staff Data Request No. 349, included as Exhibit Staff/501, Bahr/8.1-8.2.

Prepaid Pension Asset has actually grown significantly prior to the enactment of the Pension Protection Act and the economic recession.[17] Additionally, over the past 15 years, the amount recovered through rates by PGE is greater than the FAS 87 expense actually incurred.[18] Also, the difference between these two amounts was in fact greater than the total cash amount the Company contributed during that time to the pension fund. CUB also claims that approval of PGE's proposal would violate the Commission's policy against retroactive and single-issue ratemaking.[19]

Q. HAVE OTHER PARTIES COMMENTED ON THIS ISSUE?

A. ICNU also filed testimony on the issue of pension recovery. ICNU suggests that Docket No. UM 1633 is the appropriate venue to make changes to existing Commission policy, not in this specific rate case.[20]

Q. WHAT IS STAFF'S POSITION REGARDING THE PREPAID PENSION ASSET?

A. Though Staff is committed to allowing regulated utility companies the opportunity to recover prudently incurred costs, PGE has not demonstrated that the source of funds for the prepaid asset is drawn from shareholders versus "excess" pension expenses recovered in rates. Questions remain regarding the buildup of the Prepaid Pension Asset in the years prior to the enactment of the Pension Protection Act in 2006, why PGE waited until the

[17] *See* lines 8-9 of Exhibit CUB/100, Jenks/11 as well as Exhibit CUB/102. See also PGE's response to Staff Data Request No. 347, included as Exhibit Staff/501, Bahr/9.1-9.2.
[18] *See* lines 15-18 of Exhibit PGE/100, Jenks/11.
[19] *See* line 6 of Exhibit CUB/100, Jenks/12 through line 117 of CUB/100, Jenks/13 as well as Exhibit CUB/102.
[20] *See* lines 6-10 of Exhibit ICNU/100, Deen/2.

present rate case to request recovery of these amounts despite the significant past buildup, and the appropriate ratemaking construct for pension costs going forward. While not recommending a change to current ratemaking methodology at this time, Staff expects a resolution to be reached in Docket No. UM 1633.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

CASE: UE 262
WITNESS: BRIAN BAHR

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 501

Exhibits in Support
Of Rebuttal Testimony

August 6, 2013

July 23, 2013

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UM 1633
PGE Response to OPUC Data Request No. 014
Dated July 10, 2013

Request:

Please provide the definition of the term "prepaid pension asset" as used by the Company and an explanation of the calculation thereof.

Response:

PGE's prepaid asset is comprised of contributions in excess of FAS 87 expense. The two main determinants to the amount in the prepaid asset are direct cash contributions and the amount of FAS 87 expense incurred. Cash contributions increase the prepaid asset, while FAS 87 expense may increase or decrease the prepaid asset. Because of these effects, PGE's prepaid asset can be impacted by direct cash contributions and by the market performance of PGE's pension assets via its impact on FAS 87 pension expense.

The calculation of PGE's current year prepaid asset is:

  Defined Pension Plan Assets
\+ Amounts included in Accumulated Other Comprehensive Loss
\- Pension Benefit Obligation
= Prepaid Asset

May 23, 2013

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UM 1633
PGE Response to OPUC Data Request No. 005
Dated May 9, 2013

Request:

The utilities state that the change in policy they request is to continue FASB 87 expense in rates and include a return on excess cash contributions, even those made prior to 2012. Please explain why such a proposal would result in rates that are just and reasonable.

Response:

Including a return on the prepaid pension asset (cash contributions in excess of pension expense) in rates appropriately reflects the long-term financing costs attributable to providing service to customers and provides appropriate matching with the FAS 87 expense. PGE has and will continue to make significant cash contributions to its pension plan pursuant to the Pension Protection Act. PGE must finance these contributions and pension expense does not provide recovery of PGE's financing costs.

Currently, rates are set using only FAS 87 expense. FAS 87 expense is calculated based on several variables including the funding status of the pension plans. As a result, company cash contributions to pension plans impact the associated FAS 87 expense. By including a return on cash contribution, the Commission would recognize the true and complete cost of service related to pension plans and the resulting rates that reflect these costs would be just and reasonable.

May 23, 2013

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UM 1633
PGE Response to OPUC Data Request No. 007
Dated May 9, 2013

Request:

Is the lack of request for the explicit return of excess cash contributions due to the concept that FASB 87 expense will provide a return of such contributions?

Response:

Yes. The prepaid asset is expected to revert to zero over time as cash contributions eventually taper off and PGE continues to incur FAS 87 expense. However, based on the current forecast, this process is expected to take a considerable length of time, with PGE continuing to incur the financing costs associated with the prepaid asset.

July 12, 2013

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 262
PGE Response to OPUC Data Request No. 337
Dated July 3, 2013

Request:

With regard to PGE's response to Staff Data Request No. 262, please provide the actuarially calculated minimum and maximum contribution levels for the years 1998 through the test year.

Response:

PGE objects to this request on the basis that it is unduly burdensome and requests a study that PGE has not performed. Notwithstanding this objection, PGE responds as follows:

From 1998 through 2009, due to the funded status of its pension plan, PGE was not required to make any contributions to its pension plan. Minimum funding requirements for the period of 2010 through 2012, due to the enactment of the Pension Protection Act (PPA) are as follows:

2010 - $30 million
2011 - $26 million
2012 - $0

For the years of 2013 through 2028, the contributions listed in confidential PGE Exhibit 503, which form the basis for PGE's pension cost recovery proposal, are the minimum funding requirements under the Pension Protection Act. The contributions are shown in the fiscal year in which the payments are projected to be paid.

The maximum deductible contributions for 1998 through the test period have not been determined. Before enactment of the PPA, there was no maximum contribution. The PPA rules (effective in 2010) determine the maximum deductible contribution as the sum of minimum target liability plus the target liability normal cost plus a "cushion" amount less the value of plan assets. The cushion amount is equal to 50% of the minimum target liability plus an allowance for expected benefit increases due to future salary growth. If the maximum contributions were to be calculated for the period of 2010 through 2014, they would likely be tens of millions of dollars greater than the minimums provided.

June 18, 2013 (due date)

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 262
PGE Response to OPUC Data Request No. 335
Dated June 4, 2013

Request:

Referring to the Company testimony UE 262/PGE/500, Barnett-Bell-Jaramillo/26, lines 15-17, please provide the Company's comparative analysis supporting the assertion that PGE pension assets have consistently outperformed similar funds.

Response:

Attachment 335-A provides a 2012 Mercer Performance Summary comparing PGE's pension fund performance to all other companies within Mercer's database. As shown in the row titled "Total Fund," PGE's performance ranked in the top 2% of all funds for 2012, the top 7% from 2010-2012, and the top 11% from 2008-2012.

Attachment 335-A is confidential and subject to Protective Order No. 13-042.

July 26, 2013

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 262
PGE Response to OPUC Data Request No. 348
Dated July 17, 2013

Request:

With regard to the Company's rebuttal testimony on lines 12-13 of PGE/1800, Hager Jaramillo/7, please explain in narrative format how the annual market performance of the Company's pension assets directly impacted the annual prepaid pension asset amount during the years 1998 through 2005. Please also provide the amounts and calculations demonstrating the direct quantitative impact of the Company's annual pensions asset market performance on the Company's annual prepaid pension asset amount.

Response:

Attachment 348-A provides an illustrative calculation of the cumulative impact on the prepaid pension asset of PGE's ability to exceed investment benchmarks.

Attachment 348-A includes:

- The actual returns on plan assets
- The benchmark returns on plan assets
- Asset values, Pension Benefit Obligations and Accumulated Other Comprehensive Loss, which taken together represent the actual prepaid pension asset
- An estimated impact of the PGE's investment management relative to a "market-index" portfolio of assets

Actual market performance is presented from 1993 to 2005. The prepaid pension asset is affected by cash contributions and FAS 87 expense. FAS 87 expense is built up using several factors, one of which is the expected return on plan assets. The expected return on plan assets is calculated based on the expected return on plan assets multiplied by the market-related value of assets, which is based on a five-year average of pension asset values. Therefore, FAS 87 expense in 1998, which is a component in the build-up of the prepaid pension assets from 1998 to 2005, is based on asset values from 1993 to 1998.

To the extent PGE investment management exceeded the benchmark return in 1993, FAS 87 expense would be lower in 1998, which contributed to negative FAS 87 expense. Negative FAS 87 expense then resulted in a higher prepaid pension asset.

The $53.6 million of excess investment returns identified in Attachment 348-A increased the Prepaid Pension Asset by an estimated $47.6 million.

This calculation is designed to isolate the estimated impact of PGE's ability to exceed investment benchmarks and is not intended to tie to the total build-up in the prepaid pension asset of $ 88 million from 1998 to 2005 since cash contributions and other market and actuarial factors such as the discount rate and participant experience also impact the prepaid pension asset.

Year	Assets	Actual Return	Benchmark Return	Difference	Excess market returns	PBO	AOCL	Prepaid Asset
	A	B	C	D = B - C	E = D * A	F	G	A + F + G
1993	$ 262,400,000	21.58%	13.97%	7.61%	$ 19,964,072	$ (198,900,000)	$ (67,800,000)	$ (4,300,000)
1994	245,200,000	-2.07%	-0.06%	-2.01%	(4,922,543)	(189,500,000)	(61,100,000)	(5,400,000)
1995	295,500,000	26.34%	27.07%	-0.73%	(2,163,957)	(222,300,000)	(76,100,000)	(2,900,000)
1996	315,000,000	15.09%	14.11%	0.98%	3,100,488	(222,000,000)	(93,900,000)	(900,000)
1997	375,000,000	24.03%	20.39%	3.64%	13,662,500	(240,000,000)	(131,000,000)	4,000,000
1998	401,000,000	10.41%	16.54%	-6.13%	(24,571,689)	(284,000,000)	(117,000,000)	-
1999	439,000,000	18.22%	16.05%	2.16%	9,461,469	(267,000,000)	(158,000,000)	14,000,000
2000	424,000,000	0.99%	-3.10%	4.09%	17,359,501	(280,000,000)	(117,000,000)	27,000,000
2001	397,000,000	-1.69%	-6.25%	4.56%	18,113,351	(306,000,000)	(36,000,000)	55,000,000
2002	337,000,000	-10.93%	-10.06%	-0.87%	(2,924,975)	(353,000,000)	84,000,000	68,000,000
2003	415,000,000	29.78%	26.22%	3.55%	14,752,532	(400,000,000)	58,000,000	73,000,000
2004	452,000,000	11.13%	12.51%	-1.37%	(6,200,974)	(450,000,000)	76,000,000	78,000,000
2005	469,000,000	7.02%	7.44%	-0.43%	(2,011,748)	(483,000,000)	102,000,000	88,000,000
					$ 53,618,026			

Investment — Estimated Impact of an Investment Gain (or Loss) vs. Benchmark on the Prepaid Pension Asset (End of Year)

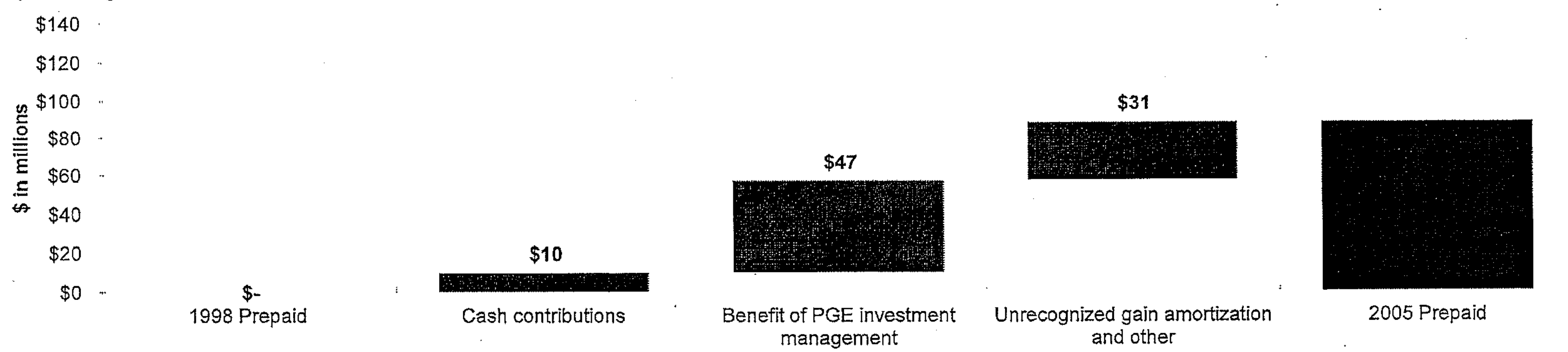
Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1993	$ 881,284	$ 1,762,567	$ 2,643,851	$ 3,525,135	$ 4,406,418	$ 4,406,418	$ 4,406,418	$ 4,406,418	$ 4,406,418	$ 4,406,418	$ 4,406,418	$ 4,406,418
1994		(79,130)	(158,261)	(237,391)	(316,522)	(395,652)	(395,652)	(395,652)	(395,652)	(395,652)	(395,652)	(395,652)
1995			(152,223)	(304,445)	(456,668)	(608,891)	(761,114)	(761,114)	(761,114)	(761,114)	(761,114)	(761,114)
1996				137,697	275,394	413,091	550,789	688,486	688,486	688,486	688,486	688,486
1997					778,398	1,556,796	2,335,194	3,113,593	3,891,991	3,891,991	3,891,991	3,891,991
1998						(1,210,775)	(2,421,550)	(3,632,325)	(4,843,100)	(6,053,875)	(6,053,875)	(6,053,875)
1999							457,220	914,440	1,371,660	1,828,879	2,286,099	2,286,099
2000								173,445	346,890	520,334	693,779	867,224
2001									66,794	133,589	200,383	267,177
2002										11,452	22,904	34,356
2003											1,012,686	2,025,373
2004												(255,551)
2005												$ 47,581,604

Comments

An investment gain(loss) will increase(decrease) the Prepaid Pension Asset beginning at the end of the fiscal year following the gain(loss)
Because investment gains(losses) are smoothed over five years, the full impact will not be reflected until the 5th anniversary of the gain(loss)
An investment gain increases the Prepaid Pension Asset in subsequent years by:
Increasing the Expected Return on Assets component of periodic pension expense: e.g. Gain*EROA

Staff/501
Bahr/6.3

Prepaid Brige - 1998-2005



	Variations	Positions	Support	Positive Variation	Addl positive var. for crossing blocks	Negative variation	Addl negative var. for crossing blocks	Total neg var ending below 0	Total pos var ending below 0	Total neg var ending above 0	Total pos var ending above 0	Interim balance
1998 Prepaid												-
Cash contributions	10		-	10	-	-	-	-	-	-	10	10
Benefit of PGE investment manageme	47		10	47	-	-	-		-	-	47	57
Unrecognized gain amortization and ot	31		57	31	-	-	-	-	-	-	31	88
2005 Prepaid		88										88

Staff/501
Bahr/6.5

July 26, 2013

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 262
PGE Response to OPUC Data Request No. 346
Dated July 17, 2013

Request:

With regard to the Company's rebuttal testimony on PGE/1800, Hager-Jaramillo/14, please provide calculations of the $316 million amount on line 17 and the change in capital structure percentages on line 19. Please also provide narrative explanations of the calculations

Response:

PGE objects to this request on the basis that preparing a detailed build-up of Accumulated Other Comprehensive Loss (AOCL) from period to period requires the involvement of the pension actuary and entails significant cost. Without waiving its objection, PGE replies as follows:

An illustrative build-up of AOCL from 2007 to 2012 (forecasted as of October 22, 2012) is in Attachment 001-A to PGE's Response to OPUC Data Request No. 001 in docket UM 1623. This spreadsheet is provided as Attachment 346-A.

This build-up presents the increase in AOCL from $39 million at December 31, 2007 to the forecast AOCL of $338 million. Actual AOCL as of December 31, 2012 was $298 million. The difference between the $338 million forecast as of October 22, 2012 and the $299 million actual as of December 31, 2012 is primarily attributable to changes in the interest rate used to discount the pension liability and asset performance that varied from forecast.

The $316 million AOCL discussed in PGE Exhibit 1800 represents the December 31, 2012 forecast of AOCL. For 2014 and all future forecast years, AOCL is assumed to change only as a result of the amortization of AOCL through FAS 87 expense.

A discussion of the AOCL amortization method through FAS 87 expense is in Attachment 10-A to PGE's Response to OPUC Data Request No. 010 in docket UM 1633. This file is also provided as confidential Attachment 346-B.

The calculation of the change in capital structure percentages was performed by subtracting $316 million from the Common Equity portion listed in Table 1 of the PGE Exhibit 1100 and then calculating the equity percent by dividing the new number by the Total in Table 1.

Attachments 346-A and 346-B are confidential and subject to Protective Order No. 13-042.

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July 26, 2013

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 262
PGE Response to OPUC Data Request No. 349
Dated July 17, 2013

Request:

Please explain, in narrative format, why the Company's prepaid pension asset grew significantly between the years 1998 and 2005, and what directly affected this growth. Please include in your response, specifically, why the prepaid pension asset amount grew despite no cash contributions to the pension fund by the Company during this time. Please provide any amounts, calculations, or other quantitative support as necessary.

Response:

Growth in the prepaid pension asset from 1998 to 2005 arose from three sources discussed below. A graphical presentation of these sources is included in Attachment 348-A to PGE response to OPUC Data Request No. 348.

1) A $10 million contribution to the pension plan in 2005.

2) Lower FAS 87 expense as a result of investment policies by PGE that generated higher returns for customers than the financial market benchmarks.

FAS 87 expense is determined based on a forecast of market returns, known as the expected return on assets. The expected return on assets is based on an estimate of the index-returns that a pension asset portfolio will experience over time.

PGE manages the pension asset portfolio in an effort to meet or exceed the financial market index benchmark in a risk-efficient manner. To the extent that the investment returns exceed the benchmark due to PGE's management of the pension asset portfolio, those benefits are passed on to customers in the form of lower FAS 87 expense.

Because the pension asset portfolio includes the cumulative impact of PGE's management since plan inception, customers continue to benefit from PGE's successful investment management from 1993 to 2005 period in the form of lower FAS 87 expense.

PGE estimated this benefit in Attachment 348-A as $47.6 million as of December 31, 2005 attributable to the period from 1998 through 2005.

3) Other sources of FAS 87 expense include the amortization of unrecognized gains/losses arising because of non-investment financial market performance, such as the discount rate, and other sources of plan experience that differed from our original actuarial estimate.

We calculate this amount as the remainder of the 2005 prepaid pension asset ($88 million) increase, or $31 million.

July 26, 2013

TO: Kay Barnes
Oregon Public Utility Commission

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 262
PGE Response to OPUC Data Request No. 347
Dated July 17, 2013

Request:

With regard to the Company's rebuttal testimony on PGE/1800, Hager-Jaramillo/7, please reconcile lines 14 through 21 of the testimony, which states that the Company's prepaid asset has existed since the inception of FAS 87 and has only begun growing significantly in the last decade, driven primarily by the Pension Protection Act (PPA) and the 2008 financial crisis, with the Company's response to CUB Data Request No. 34, which shows significant growth in the prepaid asset prior to both the PPA and the 2008 financial crisis

Response:

During 2003-2007 PGE's prepaid asset grew from $73 to $82 million, an increase of about $9 million. Since 2007, the increase is approximately $26 million.

Attachment 347-A contains a copy of PGE's attachment provided in response to CUB Data Request No. 034.

Prepaid Asset

1987	(2.7)	
1988	1.1	
1989	3.7	
1990	2.9	
1991	0.2	
1992	(2.9)	
1993	(4.3)	
1994	(5.3)	
1995	(2.9)	
1996	(1.8)	
1997	4.0	
1998	-	
1999	14.0	
2000	27.0	
2001	55.0	
2002	68.0	
		Total Increase
2003	73.0	
2004	78.0	
2005	88.0	
2006	84.0	
2007	82.0	
		9.0
2008	84.0	
2009	85.0	
2010	111.0	
2011	129.0	
2012	108.0	
		26.0

CERTIFICATE OF SERVICE

UE 262

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 6th day of August, 2013 at Salem, Oregon

Kay Barnes

Kay Barnes
Public Utility Commission
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