Citizens' Utility Board of Oregon

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July 2, 2015

Public Utility Commission
Attn: Filing Center
PO Box 1088
Salem, OR 97308-1088

Re: UE 294 - CUB Exhibit 100 & 102 Errata Filing

Dear Filing Center:

Please find enclosed CUB's Errata to Exhibits 100 and 102 to its general rate case testimony in docket UE 294. On CUB/100/Jenks-McGovern/6-7, 27 and CUB/102/Jenks-McGovern/1, CUB erred in including data for "Other Revenue" related to 2012. The attached replacement pages reflect the deletion of 2012 data; other changes are indicated in boldface type. Please contact this office should you have any questions or concerns.

Sincerely,

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IV. PGE has Under-Forecasted Other Revenue.

In addition to revenue from customers established through rates set by this Commission, PGE has several other relatively small sources of revenue from things like steam sales and pole attachments. These are classified as "Other Revenue" and act as an offset to revenue requirement before the revenue requirement is charged to customers. In UE 283, PGE forecasted 2014 Other Revenue as $22.6 million.[9] In this current rate filing, PGE's exhibits show that the actual amount of other revenue in 2014 was $27.5 million.[10] This is a differential of $4.9 million. This means that almost $5 million of revenue requirement that was charged to customers should have been offset by Other Revenue.

CUB went back over PGE's last several rate cases to examine PGE's forecasts of Other Revenue to see how accurate they were. CUB Exhibit 102 shows the results of that examination. Since 2006, CUB identified **6** years where PGE forecasted Other Revenue in a rate case and later, in another rate case, provided actual results:[11]

Year	Forecast (in millions)	Actual (in millions)	Differential
2006	17.7	17.3	-0.4
2008	17.8	20.6	2.8
2010	19.9	26.2	6.3
2011	21.0	22.4	1.4
2013	23.0	24.9	1.9
2014	22.6	27.5	4.9

This chart shows that PGE regularly under forecasts Other Revenue. The year 2006 was the last time the Company over-forecasted. While the most recent forecast was

[9] UE 294 - CUB Exhibit 102.
[10] UE 294 - PGE/202/Tooman-Brown/1.
[11] *Ibid.*

off by $4.9 million, on average, PGE has under forecasted Other Revenue by **$2.9** million over the past 8 years. CUB recommends that PGE's Other Revenue be adjusted based on this historical forecast error: **$2.9** million should be added to PGE's forecast of Other Revenue, reducing the amount of Revenue Requirement that is allocated to customers.

V. PGE's proposal to classify transmission as 100% demand is not reasonable.

PGE is proposing to recover its transmission revenue requirement entirely through demand--or capacity--related charges by assigning the revenue requirement to a 12 month coincident peak basis:

> I allocate the transmission revenue requirement consistent with how PGE's FERC transmission prices are determined, therefore on a twelve coincident peak basis (12-CP).[12]

This is a significant change from PGE's proposal in the last rate case;

> I also allocate the transmission revenue requirement consistent with how UE 262 prices were established, 65% based on capacity, and 35% based on energy.[13]

PGE offers little to support this change, other than offering the fact that it is consistent with its FERC prices. However, PGE's generation and transmission systems demonstrate that this change is not justified.

Consider PGE's two coal plants: Boardman and Colstrip. Boardman was authorized in 1975[14] and, while not in PGE's service territory, was built near PGE's service territory, meaning that relatively minimal additional transmission rights were required. There is no coal production near the plant, and therefore the plant's fuel supply

[12] UE 294 – PGE/1400/Cody/5.
[13] UE 283 - PGE/1400/Cody/9.
[14] https://en.wikipedia.org/wiki/Boardman_Coal_Plant.

IX. Conclusion

In Conclusion, CUB recommends the following:

- There should be no January 1 rate increase because PGE filed this case even though its expected earnings in January will still be reasonable.
- The Company should not include the Residential Exchange Credit in its pricing workpapers, and the credit should be applied ex-post of the CIO.
- The Company has consistently under-forecasted Other Revenue in recent rate cases. This should be corrected using historical forecast error as a guide by increasing Other Revenue by **$2.9** million.
- The Company has not demonstrated justification for changing the allocation of transmission costs, and should continue to allocate energy costs to both energy and capacity. CUB recommends the Commission allocate 65% of transmission costs to capacity and 35% to energy with the capacity charges being based on a 12 CP approach.
- PGE's proposal to increase the residential customer charge should be rejected. It is not supported by the filing.
- The deadbands in PGE's PCAM should be adjusted to account for the fact that its rate base has doubled in the last few years. CUB recommends that the monetary deadbands be updated based on a 150/75 basis point deadband. This would create an asymmetrical deadband of $60 million and $30 million.
- PGE failed to consider whether current interest rates should be reflected by changing its capital structure. CUB recommends that the Commission

Other Revenue
(in millions)

Year	Forecast	Actual	Differential
2006	17.7	17.3	-0.4
2007		18.7	
2008	17.8	20.6	2.8
2009	20.2		
2010	19.9	26.2	6.3
2011	21	22.4	1.4
2012		24.7	
2013	22.5	24.9	2.4
2014	22.6	27.5	4.9
2015	25.0		
2016	25.1		

average differential	2.90

sources:
UE 294/PGE/202/Tooman-Brown/1
UE 283/PGE/Exhibit 302/Tooman-Macfarlane/1
UE 262/PGE/Exhibit 302/Tooman-Liddle/1
UE 215/PGE/302/Tooman-Tinker/1