



**Portland General Electric Company**

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September 30, 2021

***Via Electronic Filing***

Public Utility Commission of Oregon  
Attention: Filing Center  
201 High Street Southeast, Suite 100  
Post Office Box 1088  
Salem, Oregon 97308-1088

**Re: UE 394 – In the Matter of Portland General Electric Company, Request for a General Rate Revision**

Dear Filing Center:

On behalf of Portland General Electric Company, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, Alliance of Western Energy Consumers, the Kroger Co., and Walmart enclosed for electronic filing today in the above-captioned docket are the following:

- Motion to Admit Stipulation;
- Stipulation; and
- Joint Testimony in Support of Stipulation.

Thank you for your assistance. If you have any questions, please do not hesitate to call me.

Sincerely,

Jaki Ferchland  
Manager, Revenue Requirement

JF:dm  
Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**UE 394  
General Rate Revision**

**PORTLAND GENERAL ELECTRIC**

**Joint Testimony in Support of a Partial Stipulation  
Resolving Cost of Capital**

**Direct Testimony of:**

*Matthew Muldoon, OPUC Staff*

*Will Gehrke, CUB*

*Bradley G. Mullins, AWEC*

*Justin Bieber, Kroger*

*Steve Chriss, Walmart*

*Jaki Ferchland, PGE*

**September 30, 2021**

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## **I. Introduction**

1   **Q. Please state your names and positions with your respective organizations.**

2   A. My name is Matthew Muldoon. I am a Manager in the Energy, Rates, Finance, and Audit  
3       Division of the Public Utility Commission of Oregon (OPUC). My qualifications appear in  
4       Stipulating Parties/102.

5       My name is Will Gehrke. I am an Economist for the Oregon Citizens' Utility Board  
6       (CUB). My qualifications appear in Section III below.

7       My name is Bradley G. Mullins. I am an independent consultant testifying on behalf of  
8       the Alliance of Western Energy Consumers (AWEC). My qualifications appear in Section III  
9       below.

10       My name is Justin Bieber. I am a regulatory consultant for Kroger. My qualifications  
11       appear in Section III below.

12       My name is Steve W. Chriss. I am Director, Energy Services for Walmart Inc. (Walmart).  
13       My qualifications appear in Section III below.

14       My name is Jaki Ferchland. I am a Manager in Regulatory Affairs for Portland General  
15       Electric (PGE). My qualifications appear in PGE Exhibit 900.

16   **Q. What is the purpose of your testimony?**

17   A. The purpose of our testimony is to describe the partial stipulation (Stipulation) reached on  
18       September 10, 2021, between parties to this proceeding, OPUC Staff (Staff), CUB, AWEC,  
19       Walmart, Kroger, and PGE (Stipulating Parties), regarding cost of capital in this general rate  
20       case (Docket UE 394). A copy of the Stipulation is provided as Stipulating Parties Exhibit  
21       101. While there are other parties to this case, we are not aware of any who oppose this  
22       Stipulation.

1   **Q. What is the basis for the Stipulation?**

2   A. PGE filed this general rate case on July 9, 2021. Over the following two months, PGE  
3       responded to 696 data requests from Staff, AWEC, CUB and Kroger relating to PGE’s filed  
4       case. On August 23, 2021, parties held a workshop to discuss various topics and issues related  
5       to the filing. On September 8, 2021, Staff provided an initial package proposal to resolve all  
6       components of Cost of Capital issues, inclusive of equity flotation costs – if any, in this case  
7       and included an analysis on the Cost of Long-Term Debt. The Stipulating Parties participated  
8       in a Settlement Conference on September 10, 2021, to discuss the proposal. During the  
9       discussion, PGE accepted Staff proposals for Return-on-Equity (ROE) and Capital Structure  
10      and offered modifications to the cost-of-debt proposal. After additional discussion, and  
11      review of capital market data, the Stipulating Parties agreed to a Cost of Long-Term Debt  
12      deemed just and reasonable within a settlement of all components of Cost of Capital.

13   **Q. Please summarize the agreement for Cost of Capital.**

14   A. The Stipulating Parties agree to an overall Rate of Return (ROR) of 6.813 percent. This rate  
15      is comprised of a Return on Common Equity (ROE) of 9.5 percent, a notional Capital  
16      Structure of 50 percent Long-Term Debt and 50 percent Common Equity, and a Cost of  
17      Long-Term Debt of 4.125 percent.

18   **Q. Does the Stipulation resolve all issues in this proceeding?**

19   A. No. The Stipulation resolves only the issues associated with Cost of Capital, as listed above.

## **II. Resolved Cost of Capital Issues**

1   **Q. Please describe the Stipulation regarding ROE.**

2   A. In its opening testimony PGE proposed to maintain its current ROE of 9.5 percent. However,  
3       PGE’s expert witness, Dr. Bente Villadsen, testified that 9.5 was a “conservative” estimate  
4       and pointed out that the range of estimates supported by her sample group of utilities ranged  
5       to above ten percent.”<sup>1</sup> Staff’s analysis did not support a range of estimated ROEs as high as  
6       Dr. Villadsen’s. However, Staff did find support for a ROE at the bottom of Dr. Villadsen’s  
7       recommended range, 9.5 percent, which is the ROE proposed by PGE.

8       The agreed-to 9.5 ROE is also supported by other factors. In December 2020, the  
9       Commission determined a ROE of 9.5 percent for PacifiCorp, after considering analysis and  
10      testimony from multiple parties in PacifiCorp’s general rate case docketed as Docket No.  
11      UE 374.<sup>2</sup> In reaching this decision, the Commission noted “the effects of the COVID-19  
12      pandemic causes additional uncertainty in model inputs.”<sup>3</sup> That uncertainty continues today.  
13      As Dr. Villadsen testified, “[t]he current determination of PGE’s allowed ROE takes place  
14      during the ongoing uncertainty in economic and financial conditions due to the ongoing  
15      impacts of the COVID7 19 pandemic.”<sup>4</sup>

16      The stipulating parties believe that in light of the analysis conducted by PGE and Staff,  
17      continuing uncertainty of financial and economic conditions, and the Commission’s recent  
18      determination of a 9.5 percent ROE for PacifiCorp, 9.5 percent is a reasonable ROE for PGE.

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<sup>1</sup> PGE/900, Jaramillo-Ferchland-Villadsen/20.

<sup>2</sup> Order No. 20-473, pp. 29-30.

<sup>3</sup> Id., p. 29.

<sup>4</sup> PGE/900, Jaramillo-Ferchland-Villadsen/20.

1   **Q. Please describe the Stipulation regarding Capital Structure.**

2   A. In its opening testimony PGE proposed to maintain its currently approved capital structure of  
3       50 percent Long-Term Debt and 50 percent Common Equity. PGE testified that the  
4       Commission approved this capital structure in its most recent rate case and that PGE's long-  
5       term goal is to maintain a 50/50 capital structure.<sup>5</sup> Staff's Cost of Capital proposal also  
6       included a notional Capital Structure at PGE's previously approved values of 50 percent  
7       Long-Term Debt and 50 percent Common Equity, and the Stipulating Parties agreed to  
8       maintain these values within the package settlement of all components of Cost of Capital.

9   **Q. Please describe PGE's opening position on Cost of Long-Term Debt.**

10   A. PGE's initial filing proposed a Cost of Long-Term Debt of 4.375 percent, which include a  
11       2021 forecasted debt issuance of \$400 million and a 2022 forecasted debt issuance of \$100  
12       million. It also removed the debt PGE associates in direct testimony with PGE's 2020 trading  
13       losses, which was entered into a few months after the August 2020 event.

14   **Q. Please describe Staff's opening position on Cost of Long-Term Debt.**

15   A. First, Staff updated PGE's Cost of Long-Term Debt table with the latest information on PGE's  
16       2021 debt issuance of \$400 million, which was not available at the time of PGE's initial filing.  
17       Staff also proposed a lower rate on the November 2022 debt issuance and added back the debt  
18       issued in the fourth quarter of 2020 excluded by PGE in direct testimony associated with  
19       PGE's trading losses. According to Staff, this action is to the benefit of customers because  
20       said debt was issued at a cost lower than the aggregate average embedded cost. Keeping this  
21       debt in modeling calculations also appeared reasonable to Staff as Staff does not agree that

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<sup>5</sup> PGE/900, Jaramillo-Ferchland-Villadsen/72-73.

1 the issuance has been demonstrated to be associated with PGE's trading floor losses. Together  
2 these actions resulted in a proposed Cost of Long-Term Debt of 4.096 percent.

3 **Q. How did the Stipulating Parties resolve these differences?**

4 A. During the Settlement Conference PGE agreed to include the debt it associates with the  
5 trading losses. PGE then proposed a higher coupon rate for the forecasted debt issuance in  
6 November 2022 and that it be prorated by the number of months from when it is expected to  
7 be issued to the end of the year. PGE also shared that there is a possibility of an additional  
8 debt issuance that could occur in 2021.

9 Stipulating Parties agreed to a rate on the 2022 debt issuance of 3.68% and that this  
10 issuance would not be prorated. The Stipulating Parties also agreed that if there is an  
11 additional debt issuance near term, the settled rate would not be updated.

12 Together, the actions of: 1) updating PGE's long-term debt with the details of its recent  
13 issuance; 2) adding back the debt PGE associates with the 2020 trading losses; and,  
14 3) updating the coupon rate on the forecasted November 2022 issuance to 3.68 percent after  
15 looking at pertinent financial market data – without prorating, resulted in the agreed-upon  
16 Cost of Long-Term Debt of 4.125 percent.



1    **Q. What will be PGE's rate of return?**

2    A. As shown in Table 1, PGE's Rate-of-Return (ROR) will be 6.813 percent.

<b>Table 1</b>			
<b>Component</b>	<b>Capital Structure</b>	<b>Component Cost</b>	<b>Weighted Cost</b>
Long-Term Debt	50%	4.125%	2.063%
Common Equity	50%	9.500%	4.750%
<b>Rate of Return</b>			<b>6.813%</b>

3    **Q. What is your recommendation to the Commission regarding the adjustments contained**  
4    **in the Partial Stipulation?**

5    A. The Stipulating Parties recommend and request that the Commission approve these settled  
6    amounts. Based on careful review of PGE's filing, consideration of PGE's response to nearly  
7    700 data requests, and thorough discussion of the issues during the settlement conference, we  
8    believe the proposed settlement represents an appropriate and reasonable resolution to the  
9    Cost-of Capital issue in this docket. Rates reflecting these values will be fair, just, and  
10    reasonable.

11   **Q. Does this conclude your testimony?**

12   A. Yes.

### **III. Qualifications**

1 **Q. Matt Muldoon, please state your qualifications and experience.**

2 A. My witness qualification statement is found in Stipulating Parties/102.

3 **Q. Mr. Gehrke, please state your qualifications and experience.**

4 A. I am an Economist with the Oregon Citizens' Utility Board. I have provided testimony,  
5 comments in numerous Oregon Public Utility Commission proceedings since 2017. I have  
6 received a Bachelor of Science and a Master of Science in Economics from Florida State  
7 University.

8 **Q. Mr. Mullins, please state your qualifications and experience.**

9 A. I am a consultant and expert witness that represents utility customers in regulatory  
10 proceedings before state utility commissions throughout the Western United States. I have  
11 sponsored expert witness testimony in over 70 regulatory proceeding encompassing a variety  
12 of subject matters, including revenue requirement, regulatory accounting, rate development,  
13 and new resource additions. I have a Master of Accounting degree from the University of  
14 Utah.

15 **Q. Mr. Bieber, please state your qualifications and experience.**

16 A. I am a Senior Consultant with Energy Strategies, LLC and have provided expert witness  
17 testimony in over 30 regulatory proceedings before state regulatory commissions in 13 states  
18 across the United States since 2017. I earned a Bachelor of Science in Mechanical  
19 Engineering from Duke University and a Master of Business Administration from the  
20 University of Southern California. I am also a registered Professional Civil Engineer in the  
21 state of California.

1   **Q. Mr. Chriss, please state your qualifications and experience.**

2   A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State  
3   University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the Houston  
4   office of Econ One Research, Inc., a Los Angeles-based consulting firm. My duties included  
5   research and analysis on domestic and international energy and regulatory issues. From 2003  
6   to 2007, I was an Economist and later a Senior Utility Analyst at the Public Utility Commission  
7   of Oregon in Salem, Oregon. My duties included appearing as a witness for PUC Staff in  
8   electric, natural gas, and telecommunications dockets. I joined the energy department at  
9   Walmart in July 2007 as Manager, State Rate Proceedings. I was promoted to Senior Manager,  
10   Energy Regulatory Analysis, in June 2011. I was promoted to my current position in October  
11   2016 and the position was re-titled in October 2018. I have previously submitted testimony  
12   before the Oregon Public Utility Commission in docket nos. UX 29, UE 179, UE 180,  
13   UM 1129, UG 173, UE 217, UE 262, UE 263, UE 264, UE 267, UE 319, UE 335, UE 374,  
14   and UM 1953. I have also submitted testimony in over 240 proceedings before 40 other utility  
15   regulatory commissions. I have also submitted testimony before legislative committees in  
16   Kansas, Missouri, North Carolina, and South Carolina. My testimony has addressed topics  
17   including, but not limited to, cost of service and rate design, return on equity, revenue  
18   requirements, ratemaking policy, large customer renewable programs, qualifying facility rates,  
19   telecommunications deregulation, resource certification, energy efficiency/demand side  
20   management, fuel cost adjustment mechanisms, decoupling, and the collection of cash earnings  
21   on construction work in progress.

1    **Q. Ms. Ferchland, please state your qualifications and experience.**

2    A. I am a Manager in Regulatory Affairs for Portland General Electric (PGE). My qualifications  
3       appear in PGE Exhibit 900.

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**IV. List of Exhibits**

<b><u>Stipulating Parties Exhibit</u></b>	<b><u>Description</u></b>
101	Partial Stipulation
102	Muldoon Witness Qualification Statement

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 394**

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Request for 2022 General Rate Revision

**PARTIAL STIPULATION**

This Partial Stipulation (“Stipulation”) is between Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), the Oregon Citizens' Utility Board ("CUB"), the Alliance of Western Energy Consumers ("AWEC"), Fred Meyer Stores and Quality Food Centers, Division of The Kroger Co. (“Kroger”), and Walmart, Inc. (“Walmart”), (collectively, the "Stipulating Parties"). Calpine Solutions is not a party to this Stipulation and does not oppose it.

PGE filed this general rate case on July 9, 2021. The filing included twelve separate pieces of testimony and exhibits. PGE also provided to Staff and other parties voluminous work papers in support of its filing. Since that time, Staff and intervening parties have submitted approximately 1,000 data requests obtaining additional information. A settlement conference was held on September 10, 2021 in this general rate case resulting in the settlement included in this Stipulation. The Stipulating Parties participated in this settlement discussion, and no other parties participated in the discussion. As a result of the discussion, the Stipulating Parties have reached a compromise settlement of the Cost of Capital related issues in this docket, as set forth below.

## **TERMS OF PARTIAL STIPULATION**

1. This Stipulation resolves only the general rate case issues described below. For purposes of this settlement, the Parties agreed to an outcome informed by a set of calculations, but the Stipulating Parties agree that the assumptions and calculations set no precedent for either future rate case Cost of Capital component calculations or any other purpose outside this rate case.
2. Return on Equity
  - a. Stipulating Parties agree to an overall Return on Equity (ROE) of 9.5 percent.
3. Capital Structure
  - a. Stipulating Parties agree to a notional Capital Structure, Long-Term Debt to Common Equity ratio of 50 percent Long-Term Debt and 50 percent Common Equity.
4. Cost of Long-Term Debt
  - a. Stipulating Parties agree to a Cost of Long-Term Debt of 4.125 percent, and
    - i. Debt issued in Q4 of 2020 related to the trading losses will be added back to the cost of debt calculation.
    - ii. The coupon rate on the expected November 15, 2022 debt issuance will be set at 3.68 percent.
    - iii. Debt issued by PGE in November 2022 will not be prorated.
    - iv. Should PGE issue debt late in 2021, the agreed upon long-term debt rate of 4.125 percent will not be updated.
5. Rate of Return
  - a. The Stipulating Parties agree that the effect of this partial settlement is an overall Rate of Return (ROR) of 6.813 percent.

6. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as appropriate and reasonable resolutions of all issues related to cost of capital in this docket.
7. The Stipulating Parties agree that this Stipulation is in the public interest, and will result in rates that are fair, just and reasonable, consistent with the standard in ORS 756.040.
8. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all of the Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in this instance or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.
9. The Stipulating Parties have negotiated this Stipulation as an integrated document. The Stipulating Parties seek to obtain Commission approval of this Stipulation prior to evidentiary hearings. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Stipulating Party reserves its right: (i) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (ii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission's final order. The Stipulating Parties agree that in the event the Commission rejects all or any material part of this Stipulation or adds any material condition to any final order that is not consistent



with this Stipulation, the Stipulating Parties will meet in good faith within ten days and discuss next steps. A Stipulating Party may withdraw from the Stipulation after this meeting by providing written notice to the Commission and other Stipulating Parties.

10. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal and provide witnesses to support this Stipulation (if required by the Commission), and recommend that the Commission issue an order adopting the settlement contained herein. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.
11. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 30th day of September, 2021.

*Jay Tinker*

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PORTLAND GENERAL ELECTRIC  
COMPANY

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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OREGON CITIZENS' UTILITY BOARD

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ALLIANCE OF WESTERN  
ENERGY CONSUMERS

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THE KROGER CO.

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WALMART

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PORTLAND GENERAL ELECTRIC  
COMPANY

/s/ Jill D. Goatcher

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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OREGON CITIZENS' UTILITY BOARD

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PORTLAND GENERAL ELECTRIC  
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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

A handwritten signature in blue ink, appearing to read "W. P. L. S.", is positioned below the text of the Oregon Public Utility Commission staff.

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OREGON CITIZENS' UTILITY BOARD

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WALMART

**WITNESS QUALIFICATION STATEMENT**

NAME: Matthew (Matt) J. Muldoon

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: Economic Analysis Manager  
Energy – Rates Finance and Audit Division

ADDRESS: 201 High Street SE, Suite 100  
Salem, OR 97301

EDUCATION: In 1981, I received a Bachelor of Arts Degree in Political Science from the University of Chicago. In 2007, I received a Masters of Business Administration from Portland State University with a certificate in Finance.

EXPERIENCE: From April of 2008 to the present, I have been employed by the OPUC. My current responsibilities include financial analysis with an emphasis on Cost of Capital (CoC). I have worked on CoC in the following general rate case dockets: AVA UG 186; UG 201, UG 246, UG 284, UG 288, UG 325, UG 366 and UG 389; NWN UG 221, UG 344, and UG 388; PAC UE 246, UE 263 and UE 374; PGE UE 262, UE 283, UE 294, UE 319, UE 335 and current UE 394; and CNG UG 287, UG 305, UG 347, UG 347 and UG 390.

From 2002 to 2008, I was Executive Director of the Acceleration Transportation Rate Bureau, Inc. where I developed new rate structures for surface transportation and created metrics to insure program success within regulated processes.

I was the Vice President of Operations for Willamette Traffic Bureau, Inc. from 1993 to 2002. There I managed tariff rate compilation and analysis. I also developed new information systems and did sensitivity analysis for rate modeling.

OTHER: I have prepared, and defended formal testimony in contested hearings before the OPUC, ICC, STB, WUTC and ODOT. I have also prepared OPUC Staff testimony in BPA rate cases.