Portland General Electric Company
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October 24, 2022

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: UE 410 – In the Matter of Portland General Electric Company, Application Regarding Amortization of Boardman Deferral

Dear Filing Center:

Attached for filing in the above referenced matter please find the following:

- Reply Testimony of
  - Chris Liddle, Jaki Ferchland (PGE / 200) and Exhibits 201

Work papers will be submitted to puc.workpapers@puc.oregon.gov.

Sincerely,

/s/ Jaki Ferchland

Jaki Ferchland
Manager, Rates and Regulatory Affairs

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE 410
PGE Amortization of Deferred Amounts for 2021 Boardman Revenue Requirement

PORTLAND GENERAL ELECTRIC

Reply Testimony

Direct Testimony of:

Christopher Liddle, PGE

Jaki Ferchland, PGE

October 24, 2022

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I. Introduction

Q. Please state your names and positions with Portland General Electric (PGE).

A. My name is Chris Liddle. I am the Senior Director, Controller and Assistant Treasurer at PGE.

My name is Jaki Ferchland. I am the Manager of Revenue Requirement in Regulatory Affairs at PGE.

Our qualifications were provided in PGE Exhibit 100.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to respond to the opening testimony of the Public Utility Commission of Oregon (Commission or OPUC) Staff (Staff) and the Alliance of Western Energy Consumers (AWEC) (jointly, "Parties").

Q. How is your testimony organized?

A. In the next section we address the issue of rolling 12-month earnings test periods and demonstrate that they are relevant and would result in no refund of the Boardman deferral. We then discuss the reasons behind PGE's lower than normal operations and maintenance (O&M) spending in 2020 and its impact on PGE's regulated earnings. Following that, we respond to concerns that PGE has made incorrect assumptions in its direct testimony and 2020 Results of Operations Report (ROO) and that consequently, the entire 2020 Boardman deferral amount should therefore be refunded to customers. Finally, we provide our summary and conclusions.

Q. Please summarize your position.

A. It is our position that a holistic perspective should be taken when considering the appropriate outcome of an earnings review for any utility. Multiple perspectives demonstrate that PGE should not refund any amount of the revenue requirement associated with Boardman in 2020.

When these perspectives are considered together, it makes it abundantly clear that a refund of the Boardman revenue requirement for 2020 would be inappropriate.

First, we will continue to discuss the results of a rolling 12-month earnings test, which we maintain is a more appropriate and established method for reviewing a multi-year deferral. The data in this case is particularly compelling, and we believe it should be considered as a part of this decision. Second, in our opening testimony we mention that 2020 results are anomalous, and in this testimony, we explain these anomalies in further detail and show methods by which adjustments could be made to account for them. Finally, we will provide details as to how Staff misinterpreted not only our prior testimony on the creation of the ROO, but Staff's own 1992 letter on the principles of preparing a ROO. Finally, we assert that a deferral deemed to have no earnings test should not drive a refund under the earnings test of another deferral, and that doing so would result in an unreasonable and unsupportable outcome.

The purpose of an earning review is to evaluate whether the utility could absorb costs or should be allowed to retain income during a specific period. While Staff's approach relies on form over substance as to how the ROO is presented, we believe Staff has misunderstood and misapplied both the form and substance of how an earnings review should be applied under these circumstances. The Commission should take a holistic view to evaluate whether PGE earned a reasonable rate of return during the deferral period and conclude that no refund of the Boardman deferral for 2020 is warranted.

II. Rolling 12-Month Test Period

Q. Please restate the alternative earnings review method PGE discussed in opening testimony.

A. In PGE Exhibit 100, we discussed the result and precedence of using a rolling 12-month earnings test more aligned to and representative of the first 12 months Boardman was no longer in service. These results are shown below in Table 1 and are available in more detail in PGE Exhibit 104. As shown, PGE's earnings test ROE does not exceed 5.93% for <u>any</u> rolling 12-month period from October 2020 through December 2021, in contrast to the 9.47% produced by the narrow view of only a 2020 calendar year that includes a full nine months before the deferral period applicable to Boardman.

Table 1. Rolling Earnings Test ROE Results

12-Month Period	Result
Oct 2020 – Sep 2021	5.93%
Nov 2020 – Oct 2021	5.50%
Dec 2020 – Nov 2021	4.99%
Jan 2021 – Dec 2021	5.19%
Average	**5.23%**

Q. Does PGE believe that the drastic difference in regulated ROEs from one year to the next serves as strong evidence as to why a rolling test is more appropriate for a deferral that spans multiple years?

A. Yes. These results demonstrate the potential for erroneous conclusions based on a calendar year earnings test applied to deferrals that span multiple years and in particular a deferral that begins late in a calendar year. PGE's earnings are unequivocally and unambiguously poor across any potentially relevant earnings test period.

Q. Is PGE requesting that the Commission revisit and revise their determination in Order No. 22-129 directing PGE to use a calendar year earnings test?

A. While we do not agree with the outcome in Order 22-129 calling for a calendar year earnings test for a deferral that begins only two and half months prior to the end of that calendar year, we are not requesting that the Commission revise the order. Doing so would result in PGE's ability to also collect the $14 million for the 2020 Labor Day Wildfire and $2 million for the COVID-19 pandemic which PGE has already written off as a result of applying the test. We are not suggesting that those amounts should now be subject to collection. However, PGE is asking that the facts of this rolling test, now that they are known, be considered within the *holistic* picture of this earnings review.

Q. We indicated in PGE Exhibit 100 that this data was not provided in UE 394 because the 2021 results of operations report had yet to be completed. What other factors led to PGE not proposing the use of a rolling 12-month earnings test in the general rate case (GRC)?

A. In addition to PGE being unable to provide complete 2021 data and results during the UE 394 proceeding because the 2021 FERC Form 1 and 2021 ROO had yet to be filed, PGE was not expecting nor prepared to fully litigate in the GRC proceeding the issue of an earnings review period for three separately docketed deferrals unrelated to its GRC filing.

Q. Why was PGE not prepared to fully litigate the issue of an earnings review period in its GRC?

A. We were not anticipating a full litigation with a Commission ruling on an earnings review period because at the time that AWEC and CUB requested to consolidate the dockets, the Administrative Law Judge issued a motion denying their request, while leaving open the opportunity to achieve a settlement on the topic. AWEC and CUB later provided testimony to which PGE objected and while this testimony was ultimately allowed into the record, no statements were provided that the original order denying the request to consolidate the dockets had been overturned. As such, PGE believed the testimony on this topic would not result in a definitive decision by the Commission in the GRC but would rather be used to serve a future proceeding on the matter.[1, 2]

Q. When are earnings tests for deferrals typically determined?

A. It is most common that the form and structure of an earnings test is proposed as part of the request for amortization of a deferral. In fact, ORS 757.259(5) states that "amounts shall be allowed in rates only to the extent authorized by the commission in a proceeding under ORS 757.210 (Hearing to establish new schedules) to change rates and upon review of the utility's earnings *at the time of application to amortize the deferral*" (emphasis added). Additionally, OAR 860-027-0300(9) specifies "*[u]pon request for amortization* of a deferred account the energy or large telecommunications utility must provide the Commission with its financial results for a 12-month period or for multiple 12-month periods to allow the Commission to perform an earnings review" (emphasis added). As such, it was reasonable for PGE to assume that the structure and proposal of an earnings test that is "reasonably representative of the deferral period"[3] would occur at the time of requesting amortization of deferred amounts.

[1] *See* UE 394, November 10, 2021 *Ruling Denying Motion to Strike*, "Any issues not resolved within this proceeding may be subsequently addressed in their separate dockets."
[2] Multiple deferrals were included in PacifiCorp's GRC under Docket No. UE 399 and were consolidated into the docket. See UE 399, April 11, 2022 *Ruling to Consolidate Granted In Part; Denied In Part*
[3] OAR 860-027-0300(9).

Q. At what point was the issue of an earnings test period raised in UE 394?

A. When PGE filed UE 394, the Boardman deferral was not presented as an issue in the docket and the Commission had not yet approved the deferral. It was approximately three months following PGE's initial filing that CUB and AWEC first proposed consolidating the Boardman deferral docket with UE 394, a position that PGE opposed.[4] As mentioned above, while the motion to consolidate was denied, CUB and AWEC proceeded to file testimony on Boardman, which was allowed to remain in the record.

It is also important to note that at this point, no party, including CUB and AWEC, had raised the issue of an earnings test period or any other issue related to an earnings review. It was not until Staff's final round of testimony, filed approximately five months after PGE's opening testimony, that the issue of earnings review parameters was first raised.

Q. Could PGE have proposed a rolling 12-month earnings test in the GRC Docket No. UE 394?

A. In Docket No. UE 394, all aspects of the major deferrals were introduced into an already complex proceeding. PGE did mention a rolling test year as an option at oral arguments after learning there was an interest to begin separate amortizations on a yearly basis. We attempted to address the expanding and changing positions and issues surrounding the deferrals brought forward by the parties. These issues included: whether the Boardman deferral should be authorized, should all three deferrals be consolidated in a separate docket, should all deferrals be addressed in the GRC docket, what earnings test ROE should be applied to the separate deferrals, and whether the earnings test ROE issue should even be addressed in the GRC.

[4] https://edocs.puc.state.or.us/efdocs/HAE/ue394hae15500.pdf

In addition to the broadening scope of issues related to these three deferrals, PGE was responding to numerous issues within the context of its original GRC request. This resulted in PGE having a limited amount of time to respond to a growing set of issues around these three deferrals, while at the same time litigating numerous other issues within the GRC proceeding. While we did not consider a rolling 12-month earnings test at the time, in our final round of testimony we did propose a 2021 calendar year earnings test for all three deferrals since we thought it would address parties' primary concerns while still meeting the regulatory requirement to select a period that would reasonably represent the deferral period.[5]

PGE had less than three weeks from first being presented with the newly raised issue of earnings review parameters to respond,[6] while at the same time drafting seven separate pieces of testimony, amounting to over 300 pages including exhibits, on the other unresolved issues of the GRC. It is common and generally expected within contested proceedings that the issues of disagreement narrow as the proceeding moves forward. It is less common for issues to expand within later rounds of a contested case and even less likely to expand under a confusing series of rulings.

Q. Can the Commission take PGE's rolling 12-month earnings test into account within this proceeding?

A. Yes. The Commission has broad authority when establishing fair and reasonable rates and there is nothing prohibiting the Commission from factoring into account new and relevant information with respect to the amounts at issue in this proceeding. We believe the results of the rolling earnings test are very compelling given how drastically different they are from the

[5] OAR 860-027-0300(9).
[6] Staff included the recommendation of a calendar year earnings test within UE 394 Staff Exhibit 2600, filed January 13, 2022, while PGE's surrebuttal testimony was due February 1, 2022.

2020 calendar year test and should be considered within the overarching scope of this earnings review. Particularly since it was not information the Commission had at the time it established a calendar year test.

Q. Has PGE already been impacted by the Commission's order to use a calendar year earnings test?

A. Yes. As briefly mentioned above, following the Commission's ruling in Order No. 22-129, PGE wrote off over $2 million of COVID-19 related deferred amounts for 2020 and over $14 million (i.e., the entirety) of 2020 deferred amounts related to the Wildfire Emergency (an event that did not occur until September of 2020). Also, as previously mentioned, if using a rolling 12-month earnings test from the start of the Wildfire Emergency (i.e., September 1, 2020 through August 31, 2021), PGE's Column 7, Regulated Adjusted ROE with Deferral Reversals is only 6.06% and PGE's Column 5, Regulated Adjusted ROE, prior to Deferral Reversals is 9.27%; both results are far below the 9.5% threshold for Boardman <u>and</u> the 9.3% threshold for the Wildfire Emergency, though we are not seeking to recover the costs for the Wildfire Emergency that have already been written off.

Q. Please describe parties response to PGE's rolling 12-month earnings test ROE?

A. AWEC's testimony made no reference at all to PGE's presentation of a rolling earnings test demonstrating that following Boardman's closure, PGE underearned its allowed ROE by over 350 basis points. Staff provided a cursory response to PGE's rolling earnings test example and without addressing or responding to the facts PGE presented, suggested PGE's analysis should be "disregarded".

Q. How does PGE respond to Staff's criticism of PGE's rolling 12-month earnings test ROE as "cherry picking results" with the purpose to "evoke doubt as to the fairness of the Commission's methodology"?[7]

A. We disagree with the position that a 12-month representative period of earnings that is consistent with the actual closure of Boardman is "cherry picking" a result. PGE's analysis is not choosing the most opportune period of earnings. Boardman ceased operations on October 15, 2020. As such, the period of October 1, 2020, through September 30, 2021, is the most representative, most aligned, and most appropriate way of illustrating that Boardman's closure did not serve to increase PGE's earnings beyond its allowed 9.5% ROE. PGE's earnings from January 1, 2020, to October 15, 2020, could not have opportunistically benefitted from Boardman's closure, because Boardman was still operational during that period of time. Boardman generated over 1.4 million megawatt hours (MWh) of energy in 2020 and over 98,000 MWh in October 2020 alone.

Additionally, Table 1 shows that *every* rolling twelve-month period from the time of the Boardman closure resulted in earnings that were drastically below 2020 calendar year earnings. Furthermore, in Exhibit 100, PGE showed that aggregating the 2020 and 2021 years together also results in low earnings and no refund of the Boardman revenue requirement. Every perspective of this earnings test where at least 50% of the review period is when Boardman is closed results in no refund. If anything, we would argue that a calendar year test when the plant closed in October is the ultimate cherry picked for this earnings review.

PGE does agree, however, with Staff that the extraordinarily low ROE (i.e., below 6%) over the period coinciding with Boardman's closure *should evoke doubt* as to how fair and

[7] Staff/100, page 6.

representative a calendar year ROE test is in determining the effect of an event that occurred almost ten months into the year. According to OAR 860-027-300(9), "(t)he period selected for the earnings review will encompass all or part of the period during which the deferral took place or must be reasonably representative of the deferral period." The 2020 calendar year earnings test period is being used for a deferral spanning over 18 months, in which only the first two and a half months of the event occurred in 2020. It does not reasonably represent the deferral period.

Q. What examples are there of rolling earnings tests being previously employed?

A. There are a number of examples of rolling earnings tests being applied when a deferral of costs or revenues occurs at either the end of a calendar year, or over multiple years. The following provides some PGE-specific examples:

- Docket No. UE 196 - PGE requested amortization of the deferral of replacement power costs associated with a major Boardman outage from November 2005 to February 2006. The earnings test applied used a rolling 12-month period from October 1, 2005 to September 30, 2006. This 12-month period was chosen as it included the most representative earnings for review and no party to the docket disputed its use.
- Docket No. UE 85 - PGE requested amortization of deferred power costs associated with the Trojan Nuclear Plant, using a 12-month period from April 1, 1992 through March 31, 1993 to assess the reasonableness of PGE's earnings, as this was determined to be the most representative.
- Docket No. UM 1224 - PGE was ordered to conduct an earnings review associated with revenue attributable to the period of October 5, 2005 through December 31, 2005. Subsequently, PGE conducted an earnings test using the 12-month period of

October 1, 2005 through September 30, 2006, which demonstrated that PGE's earnings over the period were such that that no amount of revenue should be amortized.[8]

Q. What examples are there of a calendar year test being previously employed for a multi-year deferral where the deferred period represents less than a quarter of the calendar year?

A. PGE could find none.

[8] Commission Order No. 09-316.

III. 2020 Operations and Maintenance Reductions

Q. Regarding the multiple black swan events mentioned in Exhibit 100, PGE's 2020 ROO included utility accounting adjustments to remove the impact resulting from certain 2020 energy trading losses. Were any potential impacts from this event not accounted for in PGE's methodology?

A. PGE reflected all primary, secondary, and tertiary cost impacts of this event within the 2020 ROO and any other filing that could have been impacted by this event, with shareholders bearing all financial responsibility. However, in response to this event, PGE enacted severe and unsustainable reductions to its O&M spending for the remainder of 2020, which, all else equal and without adjusting for, served to increase PGE's ROE. To illustrate this disparity, PGE's actual O&M expense in 2020 was $35 million below 2019 O&M and $26 million below its planned budget for that year as shown later in Table 2. As PGE could not precisely identify and quantify these amounts, an offsetting regulatory accounting adjustment to reflect the unsustainable spending reductions resulting from this event was not included within the ROO.

Q. Is PGE suggesting that customers should not be held harmless for PGE's trading losses as PGE has previously indicated?

A. No, absolutely not. We in no way think that costs associated with the trading losses should be reversed for the purposes of the 2020 ROO. We are showing that there are secondary and tertiary impacts because of the trading losses that resulted in an unusually low O&M in 2020, which has not been considered in the context of this earnings test, and we think it should be considered if the trading losses were meant to be treated for customers as though they did not occur. Customers were meant to be held harmless from the trading losses, not benefit.

Q. Please explain how secondary and tertiary impacts of the trading losses were meant to be treated.

A. Not only did PGE reverse the cost of trading losses from the power cost portion of the ROO and any other applicable filing, but we reversed any secondary or tertiary impact as a result of the trading losses, such as the adjustment for additional legal expenses. Ultimately the purpose of these adjustments was to arrive at results for customers that would be representative of a world had the trading losses not occurred.

In this instance, we are providing information that shows that had the trading losses not occurred, PGE's O&M (unrelated to power costs) would not have been so uncharacteristically low. This is a secondary or tertiary impact of the trading losses that was not adjusted.

Q. Were there any other events in 2020 that necessitated unsustainable reductions to PGE's O&M spending for the year?

A. Yes. PGE also took swift actions in the face of the sudden and unprecedented COVID-19 pandemic. There was extreme uncertainty around the impacts of COVID-19 on PGE's customers and operations and, as a result, extreme and unsustainable cost control measures were rapidly implemented as a result. While some reductions to PGE's O&M were indeed savings attributable to this event and, as such, are included in PGE's COVID-19 deferral balances, they were minor in comparison to the temporary cost cutting reductions PGE found necessary to implement in the face of financial uncertainty.

Q. While not precisely quantifiable, are these drastic and unsustainable cost cutting measures evident in PGE's accounting?

A. Yes. A review of PGE's actual O&M costs, normalized for Boardman O&M, incentive costs, and power costs, demonstrates PGE's 2020 actual O&M is significantly below both 2019 and

2021 actuals, and below the 2020 budget. Further, a review of PGE's 2020 budget to actuals on a quarterly basis demonstrates the bulk of these reductions occurred directly following the start of the pandemic in the second quarter and the trading loss event in the third quarter. Tables 2 and 3 below provide these results separated by labor and non-labor.

Table 2
PGE Operations and Maintenance Costs
in millions

	2020 Actuals	2020 Budget	2019 Actuals	2021 Actuals	2020 Actuals vs 2020 Budget	2020 Actuals vs 2019 Actuals	2020 Actuals vs 2021 Actuals
Labor	$193.2	$210.4	$252.7	$226.0	($17.1)	($59.5)	($32.8)
Non-Labor	$300.0	$308.8	$275.5	$352.4	($8.9)	$24.5	($52.4)
Total	$493.2	$519.2	$528.2	$578.4	($26.0)	($35.0)	($85.3)

Includes FERC 500 through 935
Excludes Boardman Operating Units and Departments
Excludes Power Cost, Incentive, SERP, and MDCP accounts

Table 3
2020 Actuals vs. Budget by Quarter
in millions

	Labor	Non-Labor	Total
Quarter 1	($2.0)	$0.8	($1.2)
Quarter 2	($5.6)	($1.2)	($6.9)
Quarter 3	($3.2)	($13.2)	($16.4)
Quarter 4	($6.4)	$4.8	($1.6)
Total	($17.1)	($8.9)	($26.0)

Includes FERC 500 through 935
Excludes Boardman Operating Units and Departments
Excludes Power Cost, Incentive, SERP, and MDCP accounts

Q. How can these results be applied to PGE's 2020 regulated ROE?

A. There are several ways of estimating what PGE's regulated earnings for 2020 might have been without the immediate and prudent actions the company took in response to the pandemic emergency and then the trading loss event. For example, if PGE's 2020 normalized O&M expense was at the level of 2019 expense, PGE's Column 7 ROE in the 2020 ROO would have been 8.50% versus 9.47%, while if PGE's 2020 normalized O&M expense was at the level of amounts budgeted for 2020, PGE's Column 7 ROE, would have been 8.76% versus

9.47%. Tables 4 and 5 below provide the above results isolated for the impacts related to amounts PGE has already written off for 2020 (i.e., the Wildfire Release and COVID Release) and the remaining deferral reversals included in PGE's 2020 ROO.

Table 4
2019 O&M Adjustment
in thousands

	O&M Expense	Pre-Tax Operating Income	Post-Tax Operating Income	Total Rate Base	Return on Equity	BPS Change
Column 5 Results		$426,787	$378,140	$5,037,526	10.40%	
2019 O&M Adjustment	$35,006	$391,781	$352,588	$5,038,504	9.38%	1.01%
2020 Wildfire Release	$14,317	$377,465	$342,138	$5,038,903	8.97%	0.41%
COVID Release	$2,186	$375,279	$340,542	$5,038,964	8.91%	0.06%
TE Pilot	$156	$375,122	$340,428	$5,038,969	8.90%	0.00%
EV Pilot	$85	$375,037	$340,366	$5,038,971	8.90%	0.00%
Battery Storage Pilot	$18	$375,019	$340,353	$5,038,972	8.90%	0.00%
COVID Deferral	$7,826	$367,194	$334,641	$5,039,190	8.67%	0.23%
PHERA	$6,000	$361,194	$330,261	$5,039,358	8.50%	0.17%
Column 7 Results		$361,194	$330,261	$5,039,358	8.50%	

Table 5
2020 O&M Budget Adjustment
in thousands

	O&M Expense	Pre-Tax Operating Income	Post-Tax Operating Income	Total Rate Base	Return on Equity	BPS Change
Column 5 Results		$426,787	$378,140	$5,037,526	10.40%	
2020 Budget Adjustment	$26,004	$400,783	$359,159	$5,038,252	9.64%	0.75%
2020 Wildfire Release	$14,317	$386,466	$348,709	$5,038,652	9.23%	0.41%
COVID Release	$2,186	$384,281	$347,113	$5,038,713	9.17%	0.06%
TE Pilot	$156	$384,124	$346,999	$5,038,717	9.16%	0.00%
EV Pilot	$85	$384,039	$346,937	$5,038,720	9.16%	0.00%
Battery Storage Pilot	$18	$384,021	$346,924	$5,038,720	9.16%	0.00%
COVID Deferral	$7,826	$376,195	$341,211	$5,038,939	8.93%	0.23%
PHERA	$6,000	$370,195	$336,832	$5,039,107	8.76%	0.17%
Column 7 Results		$370,195	$336,832	$5,039,107	8.76%	

Q. Is there a method for attributing a portion of PGE's unsustainable O&M reductions specific to the Trading Loss event?

A. As we state above, there is not a way to precisely calculate this impact. However, a reasonable proxy for establishing an amount could be to look at PGE's budget to actuals variance in the remaining months of 2020 following this event, which occurred in August. Table 6 below provides PGE's earnings test results if including the September 2020 through December 2020 normalized budget to actual variance.

Table 6
2020 Trading Loss Impacted O&M Adjustment
in thousands

	O&M Expense	Pre-Tax Operating Income	Post-Tax Operating Income	Total Rate Base	Return on Equity	BPS Change
Column 5 Results		$426,787	$378,140	$5,037,526	10.40%	
2020 Trading Loss O&M	$8,394	$418,392	$372,013	$5,037,760	10.15%	0.24%
2020 Wildfire Release	$14,317	$404,076	$361,563	$5,038,160	9.74%	0.41%
COVID Release	$2,186	$401,890	$359,967	$5,038,221	9.68%	0.06%
TE Pilot	$156	$401,733	$359,853	$5,038,225	9.67%	0.00%
EV Pilot	$85	$401,648	$359,791	$5,038,228	9.67%	0.00%
Battery Storage Pilot	$18	$401,630	$359,778	$5,038,228	9.67%	0.00%
COVID Deferral	$7,826	$393,805	$354,065	$5,038,447	9.44%	0.23%
PHERA	$6,000	$387,805	$349,686	$5,038,615	9.27%	0.17%
Column 7 Results		$387,805	$349,686	$5,038,615	9.27%	

Q. Did PGE's unsustainable 2020 O&M reductions impact 2021?

A. Yes. To return to a core level of activity for 2021, while also addressing some of the unsustainable reductions in response to the events of 2020, it was necessary for PGE to increase 2021 O&M expenditures beyond normal levels, which contributed to PGE's full year 2021 ROE, prior to the recovery of any deferrals, of 4.39%, which is over 500 basis points below PGE's authorized ROE. For context that is *more than half* of PGE's authorized ROE, or about $173 million of pre-tax earnings.

Q. Why is this important in relation to the Boardman deferral?

A. This further illustrates the need to look at PGE's earnings during the period most representative of the event subject to deferred accounting. As Table 1 makes clear, at no point during any representative 12-month period following Boardman's closure does PGE's ROE go above 9.5%. Whether viewing PGE's column 7 results, which, as described above, set the baseline for determining an earnings review, or viewing column 5 results, which include deferred amounts PGE has already written off, PGE's ROE never approaches 9.5% during the period following Boardman's closure.

IV. Earnings Test and Treatment of Deferrals

Q. Please summarize the Parties' positions regarding PGE's earnings test.

A. Both Staff and AWEC argue that, based on their calculation of the 2020 earnings test, PGE should refund the entire $14 million of the 2020 Boardman deferral.

Q. Do you agree with this proposal?

A. No. To begin with, if adjustments were made to PGE's ROO to address Staff and AWEC's arguments, there would only be $12.7 million of the 2020 Boardman deferral to refund, not the full $14 million.[9] This will be discussed more below.

Furthermore, Parties are basing their position on clear misinterpretations of the principles for preparing the ROO and earnings test and on inaccurate assumptions regarding PGE's opening testimony. These wrong assumptions and misinterpretations have led Parties to erroneous conclusions.

In our testimony below, we will first discuss Staff's own misinterpretation of its 1992 letter regarding the preparation of the ROO. Then we will identify the wrong assumptions made by Staff and AWEC and discuss how their incorrect understanding of the ROO has resulted in erroneous conclusions.

A. Misinterpreting Principles for Preparing the ROO and Earnings Test

Q. What claims are made by Staff regarding PGE's preparation of its 2020 ROO and the application of the earnings test?

A. Staff references a letter sent by Staff in 1992 that provides principles[10] on how to prepare the ROO for earnings test purposes. Staff claims that "PGE's treatment is inconsistent with

[9] Exhibit 201.
[10] Staff/100 refers to them as "instructions" but the 1992 letter refers to them as "principles".

instructions regarding Type 1 adjustments that have been applicable for more than 30 years. Notably, PGE's treatment is inconsistent with how all other utilities present their results of operation. Other utilities follow the instructions and have done so for years."[11] Staff further claims "ROO instructions are venerable having been in place for many years and have served the parties well."[12]

Q. Does PGE agree that the ROO instructions provided in 1992 are "venerable?"

A. No. We strongly disagree and find that rather than being venerable and serving parties well, the 1992 principles are obsolete and lacking in sufficient detail. As an illustration, the following is an image of the relevant "instructions" from the 1992 letter:

Under current policy, therefore, the first stage of the report should include adjustments to actual recorded results as follows:

1. Normalizing for weather, streamflows, and plant availability;

2. Incorporating significant rate-making adjustments adopted in your most recent Oregon rate order if not reflected on your books (for example, advertising, memberships, payroll escalation, bonuses, and nonoperating expenses); and

3. Removing entries relating to prior period activity, and including subsequent period transactions clearly related to the test period. Examples include corrections of estimates or errors, and removal of credits or charges associated with other periods.

To avoid confusion, refer to these as "Type I" adjustments, as shown in the attached tables.

No other adjustments should be made at this stage of the report. Common adjustments which have been misclassified here include annualizing revenues and expenses and removing entries related to nonrecurring events. Although such adjustments are reasonable when constructing a test year, for example, they distort the company's earnings position for deciding whether a deferred amount should be amortized.

[11] Staff/100, page 9.
[12] Staff/100, page 13.

Q. How is Staff's 1992 letter obsolete?

A. The image above shows the "Type I" adjustments identified in the letter. The first Type I adjustment listed[13] stopped being applicable in 2007 when the Commission adopted PGE's power cost adjustment mechanism (PCAM). Beginning with the 2007 ROO, PGE noted that "[d]ue to PGE's PCAM, authorized in Docket UE 180, Order 07-715, we did not normalize power costs or weather, because we do not believe it is appropriate to assume away the conditions that produce the power cost variance."[14]

Q. Did Staff question PGE's new position on power costs given the adoption of the PCAM in 2007?

A. No. Staff has never questioned it. Nor are they questioning it in this case. In fact, if PGE were to make the adjustment for power costs to "normalize" them as outlined in the 1992 letter, this would alter PGE's results.

Q. Are there other ways the 1992 principles are obsolete?

A. Yes. PGE makes a number of Type 1 accounting adjustments that are necessary for accurate regulatory accounting but that are <u>not</u> listed in Staff's 1992 letter. For example, we reclassify several items from revenue to power costs because they directly relate to power costs and are part of the PCAM calculation (e.g., sales for resale, steam sales, transmission resale, gas, and oil sales). We also consistently make a utility tax adjustment to account for the difference between PGE-consolidated interest expense and PGE-utility-only interest expense.

[13] The first Type 1 adjustment is "Normalizing for weather, streamflows, and plant availability."
[14] Cover letter to PGE's Regulated Results of Operations for 2007, June 2, 2008.

In fact, with the normalization adjustments made obsolete by the PCAM, none of PGE's Type 1 accounting adjustments in the 2020 ROO are identified in Staff's 1992 letter, yet no one claims this treatment has been inconsistent or inaccurate.

Q. Why do you say the 1992 letter lacks sufficient detail?

A. In addition to the principles not being updated for evolving regulatory conditions, (e.g., a PCAM and its effect on Type 1 adjustments), the letter provides no explicit guidance on the very issue we are addressing in this proceeding, which is how to apply the earnings test to the amortization of deferred amounts when there are other deferrals during the relevant period.

Q. Why does it matter if the letter that is relied on for crafting a ROO lacks sufficient details?

A. One purpose of the ROO is to provide an earnings test, which means it is submitted as an exhibit in deferral amortization dockets (such as this current one) and submitted annually as part of PGE's PCAM filing.[15] In a year where PGE's PCAM falls outside the deadbands, or in a year of a large deferral, this places significant importance on its preparation and what the results demonstrate.

The principles in the 1992 Letter only state that the operating results "should reflect as closely as possible the company's *actual* earnings for the reporting period and its ability to absorb a deferred cost or its need to retain deferred revenues."[16] (Emphasis Added). Our belief has always been that this sentence means that in order to determine the ability to absorb a cost, all costs that were incurred, even if deferred, should be reflected if they would impact the Company's actual earnings. Apparently, the Parties disagree and provide their own

[15] The other purpose is to provide the ROO on a more forward-looking basis, to help assess the utility's current earnings situation and whether a rate change may be needed. This is accomplished with Type II adjustments, which do not relate to this discussion.
[16] Principles from OPUC Staff for Results of Operations Report, March 25, 1992.

interpretations of this one sentence, which means that there are not sufficient details in the 1992 Letter on how this important aspect of the earnings test is to be performed.

Q. Why have these issues not been addressed for 30 years?

A. To our knowledge, the current situation of multiple large, multi-year deferrals which represent both refunds and collections has never occurred. However, in prior instances of large deferrals, PGE applied the treatment we advocate here, and Staff and the Commission accepted those ROOs and earnings test results (i.e., 2005, 2006, 2012, and 2013).

Q. Staff's testimony states that if PGE's previous ROO filings used Type 1 adjustments to reverse deferrals, then PGE was reporting incorrectly. How do you respond?

A. It is concerning that Staff indicates it is not clear to them whether PGE presented its deferred expenses in a similar manner in ROO filings submitted prior to 2020 and 2021,[17] when specific examples were referenced in our opening testimony. As we noted in PGE Exhibit 100:

> "[A]ccounting entries to reverse applicable deferred amounts are most appropriately included in Type I Accounting adjustments (Column 2 of the ROO), which was how PGE presented its earnings tests in Dockets UE 196, UE 275 and UE 292. Further, no party to those dockets questioned that approach, and for UE 275 and UE 292 in particular, the Commission approved full amortizations based on Staff's recommendations and PGE's earnings tests, which included the deferred costs in the ROO calculations."[18]

As to Staff's claim that we were reporting incorrectly, since Staff and the Commission accepted PGE's ROOs for 2005, 2006, 2012, and 2013 for purposes of stipulations and orders in Dockets UE 196, UE 275, and UE 292, as well as the corresponding PCAMs for 2012 and 2013 (Dockets UE 274 and UE 291), we believe it is more realistic and that there is more evidence to assume that Staff's current position is the one that is incorrect.

[17] Staff/100, page 10.
[18] PGE/100, page 8.

Q. On Page 9 of Staff's opening testimony they state that PGE's treatment is inconsistent with how all other utilities present their ROO. Does Staff provide any data or evidence to support their assertion?

A. No. Staff's only citation for PGE's claimed inconsistency with other utilities' ROOs is oddly PGE's own 2020 ROO filing, instead of another utility's. In fact, there are no references to other utility filings or explicit detail on how PGE is inconsistent. While Staff can state that all "[o]ther utilities follow the instructions and have done so for years,"[19] they fail to provide evidence to support their claim.

Q. Given Staff's accusation that PGE is inconsistent with other utilities, do Staff and AWEC apply the principles of the 1992 letter consistently with one another?

A. No. Type I adjustments are intended to "normalize" the ROO so that it "can be used to perform earnings tests required by ORS 757.259."[20] However, the normalizing adjustments listed in Staff's 1992 letter were made obsolete by the PCAM and there are no specific principles or instructions as to how deferred costs are to be treated in the ROO. Because of the lack of specifics, Parties provide their own versions of the earnings test (i.e., Staff Exhibit 102 and AWEC Table 3). These are significant because: 1) their calculations do not match; and 2) Staff provides alternative versions of possible calculations.

Q. Why should it matter that the Parties' presented alternative versions of the earnings test?

A. If the principles are so venerable and sufficiently clear as suggested by Staff, both AWEC and Staff should produce a <u>single and identical</u> earnings test result. They do not. Further, Staff's

[19] Staff/100 page 9.
[20] Principles from OPUC Staff for Results of Operations Report, March 25, 1992

Exhibit 102 alternatives indicate that subjectivity can be applied to the outcome. This lack of consistency in their approaches further demonstrates that the Parties' fail to understand PGE's testimony or the fundamentals of an earnings test. This lack of understanding is apparent by their inconsistent calculations of PGE's earnings test and resultant conclusion that PGE should refund the entire 2020 Boardman deferral. In comparison, we provide an earnings test structure and adjustments that produce a single, consistent, and normalized result regardless of the number of deferrals, how they are booked (or not booked) for accounting purposes, or their levels of earnings thresholds.

B. Incorrect Assumptions and Erroneous Conclusions

1. Parties' Inaccuracies Regarding PGE's Position

Q. How did Parties inaccurately describe PGE's opening testimony?

A. Both AWEC and Staff reference PGE's testimony by repeatedly stating "PGE assumes" without specifically identifying where these alleged assumptions are made. They incorrectly claim PGE has made assumptions in our opening testimony and that these claimed assumptions are not accurate. For example, both AWEC and Staff claim that PGE assumes that all deferrals listed in the ROO for the earnings test will be written off or that they are non-recoverable,[21] which is not what we said in our testimony, nor is it our assumption.

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[21] AWEC/100, page 2. Staff/100, pages 9 and 13.

Q. Why is this assumption incorrect? Didn't PGE write off deferral balances?[22]

A. As mentioned in Section II, we wrote off certain deferral balances associated with two of our deferrals. This, however, does not suggest or indicate that PGE assumed that all deferrals listed on the ROO for the earnings test will be written off.

Q. Can you provide other examples where you think the Parties may be misinterpreting PGE's position?

A. Yes. Staff makes several claims, in addition to incorrectly claiming that PGE assumes that the deferrals are non-recoverable. Below is a list of other supposed PGE assumptions regarding the 2020 ROO.

- Staff incorrectly claim that PGE assumes that the listed deferrals are not subject to an earnings test;[23]
- They incorrectly claim that PGE assumes the deferred amounts at issue are 100 percent prudent yet unrecoverable because of a future earnings test;[24] and
- They incorrectly claim that PGE assumes the reported ROE of 10.40% (Column 5 of PGE's ROO), assumes all deferrals are approved.[25]

We made none of these assumptions and nowhere in PGE's opening testimony do we suggest that they are made or appropriate. As such, we are concerned that the Parties apparently do not understand PGE's testimony regarding this critical and foundational topic.

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[22] Write-offs are distinct accounting entries that record very specific transactions. For an approved deferral. This means that if the costs have been deferred based on an initial expectation of being recoverable, and are later determined to be non-recoverable, then PGE will record an accounting entry to reverse that deferred amount and move the costs back to expense. More specifically:

- A deferral of costs means that PGE would move an expense from the income statement to a regulatory asset on the balance sheet based on a reasonable expectation of recovery; and
- An accounting reversal of that deferral means that PGE would move the cost from the regulatory asset on the balance sheet back to an expense on the income statement based on an updated expectation of non-recovery.

[23] Staff/100, page 10.
[24] Staff/100, page 13.
[25] Staff/100, page 13.

Q. How do the Parties' inaccurate assumptions about PGE's opening testimony and inappropriate reliance on the 1992 letter ultimately impact their positions?

A. It causes them to reach erroneous conclusions. First, by inaccurately assuming that PGE reversed its deferred entries because the costs would be uncollectible, written-off, or unrecoverable because of a future earnings test, Parties' fail to adequately address or even understand these reversing entries and their purpose to provide an earnings result that can be used to determine if the utility is able to absorb deferred costs or retain deferred revenues.

Second, by not understanding these entries and their purpose, it led Staff to inappropriately rely on the 10.4% ROE in Column 5, which is an arbitrary value because it includes a mismatch of some deferred amounts but not others as a result of Staff's requested preparation of this ROO.

Finally, Staff incorrectly characterizes PGE's treatment of deferrals that do not have an earnings test component, resulting in the erroneous perspective that PGE should refund amounts because of the recovery of deferred amounts deemed to have no earnings test under the earnings test of another deferral.

Q. If PGE did not assume that its 2020 deferrals were subject to write-off or non-recoverability, what do the deferral reversing entries represent in the ROO?

A. The purpose of these entries is to provide a ROO that accurately reflects <u>all</u> applicable costs so that the earnings test result, in its entirety, shows "the company's actual earnings for the reporting period and its ability to absorb a deferred cost or its need to retain deferred revenues."[26]

[26] Principles from OPUC Staff for Results of Operations Report, March 25, 1992.

Q. Do these deferral entries make your ROO inconsistent or inaccurate in any way?

A. No. These entries are necessary to normalize the ROO for deferred costs. Without these entries, the ROO's earnings test results can vary significantly depending on the utility's choice to defer costs or not defer them as we discussed in PGE Exhibit 100. Additionally, without these entries, the resulting regulated ROE for an earnings test is arbitrary, just as the 10.4% in Column 5 of PGE's 2020 ROO is arbitrary.

Q. Why is the 10.4% ROE in Column 5 of PGE's 2020 ROO arbitrary?

A. Again, as explained in PGE Exhibit 100, for accounting purposes, it is the utility's choice to defer or not defer costs depending on the deferral. During 2020, PGE made choices regarding costs and revenues potentially subject to deferral. In most cases, PGE chose to defer the costs or revenues. However, PGE did not defer all amounts potentially subject to deferral.

When preparing the ROO, it is necessary to show earnings with all costs and revenues included. By not reversing the deferred entries to show the inclusion of all costs and revenues, Column 5 of the ROO is a mismatch of some costs and revenues that have been deferred as a part of a deferral filing and some that were not, simply because of the decisions made by PGE during the accounting year.

Most notably, PGE did not elect to defer the refund associated with this Boardman deferral. Had PGE elected to defer this refund, the 10.4% in Column 5 of PGE's ROO would be reduced by $14 million because it would not include the revenues that would have been deferred for a refund, just as Column 5 of PGE's ROO currently does not include the costs associated with the 2020 Labor Day Wildfires. Basically, Column 5 is treating two deferrals differently because of the accounting choices PGE made regarding the deferrals. Despite both deferrals being approved by the Commission. Column 5 *includes* Boardman revenues that *have not* been deferred, but it *does not include* 2020 Labor Day costs that *have* been deferred. An ROE showing only *some* deferred amounts but not others (Boardman as the example) is arbitrary. Yet this is what Staff believes is the appropriate treatment.

Q. Staff states "Under PGE's reasoning, it appears that it would be within the utility's discretion to choose to reverse a deferral or not."[27] Do you agree?

A. No. This shows Staff's continued failure to understand PGE's testimony. It *is* within the utility's discretion to choose to make an accounting entry to defer or not defer costs or revenues subject to a deferral application that has been filed with the OPUC. However, once the decision has been made to defer amounts and the accounting entries have been made, those amounts <u>must</u> be reversed during the preparation of the ROO to reflect the company's actual earnings for the period so that its ability to absorb costs or refund revenues can be determined.

Q. Staff states that allowing a utility to include or exclude regulatory assets or liabilities on its whim, rather than based on what the Commission has authorized, will lead to accounting that varies year by year.[28] Do you believe that is an accurate description of what PGE is doing?

A. No. We see this statement as an extension of Staff's continuing confusion regarding the utility's discretion to defer or not defer costs and revenues. As described in detail in PGE Exhibit 100, and as repeatedly explained in this testimony, deferral reversing entries are necessary for a utility's ROO to be *consistent* from year to year.

[27] Staff/100, page 10.
[28] Staff/100, page 11.

Q. Staff also indicates that applying deferral entries represents "gaming".[29] How do you respond?

A. Consistent with our prior testimony, these regulatory adjustments are necessary to reflect all deferred costs in order to normalize the ROO and have accurate and consistent earnings test results. In contrast to our testimony, which provides clear examples to support our argument, Staff provides no examples to show how such "gaming" could occur, which makes this inflammatory accusation baseless and useless for understanding the entries.

Q. Staff also states, "By including the other deferrals in its earnings, the Company is asking the Commission to assume the amounts at issue were 100 percent prudently incurred and recoverable by PGE."[30] Does this statement make sense?

A. No. This statement does not make sense. This indicates that Staff does not understand that PGE's deferral reversing entries result in an increase to the costs, thereby showing PGE's earnings *prior* to any determinations of prudence or recoverability.

Q. Is this consistent with Staff's other arguments?

A. No. Staff contradicts itself which continues to make us believe that Staff does not understand PGE's deferral reversing entries and it makes us also unsure of what Staff does believe to be appropriate. First, they state that PGE has incorporated "assumptions that the deferred amounts at issue are 100 percent prudent *yet unrecoverable* because of a future earnings test"[31] (emphasis added) but then, regarding the same deferrals, they state that "[b]y including the other deferrals in its earnings, the Company is asking the Commission to assume the amounts at issue were 100 percent prudently incurred *and recoverable* by PGE"[32] (emphasis added).

[29] Staff/100, page 10.
[30] Staff/100, page 18.
[31] Staff/100, page 13.
[32] Staff/100, page 18.

Q. Did Parties raise any other issues with PGE's calculation of the 2020 earnings test result?

A. Yes. In addition to Parties objecting to PGE's deferral reversing entries in general, they also took exception to PGE's reversal of two particular deferrals – the COVID-19 (COVID) deferral,[33] and the Portland Harbor Environmental Remediation Adjustment (PHERA) deferral.[34]

Q. Why did Parties take exception to COVID and PHERA being part of PGE's deferral reversing entries?

A. They did so because portions of these deferrals are not subject to an earnings test like all the other deferrals to which PGE applied the regulatory reversing entries. In addition, Staff indicates a further lack of understanding by stating that PGE's reversal of the COVID deferral means that PGE assumes we "will not receive any money associated with that deferral"[35] and that PGE "will not be allowed to amortize any of its COVID-19 deferral".[36]

Q. Did PGE make such assumptions with regard to the COVID deferral?

A. No. As with the other assumptions attributed to us, we did not make these assumptions either.

Q. Why did you include these deferrals among the reversing entries?

A. The reason is to allow them to provide PGE the very impact for which they were intended: recovery with no earnings test. Reversing these deferrals as part of the Boardman earnings test is necessary to implement the COVID and PHERA deferrals as approved by the Commission.

[33] Docket UM 2064.
[34] Docket UM 1789.
[35] Staff/100, page 14.
[36] Staff/100, page 17.

Q. How does the reversal of these deferrals in the ROO achieve that impact?

A. By not including these deferrals among the reversing entries, as the Parties argue, PGE's 2020 earnings test ROE would be above 9.5% resulting in a refund of $12.7 million of the Boardman deferral, as shown in Exhibit 201. If this were the case, PGE would collect these COVID and PHERA deferred amounts that are not subject to an earnings test, but then immediately have to return that money in the form of refunding the Boardman deferral.

In other words, AWEC and Staff's position cannot be correct because their approach would result in the same outcome whether amortization of the COVID deferral is earnings protected or not. Only PGE's approach inoculates the COVID deferral from an earnings test, as intended. That is why making the deferral reversing entries and observing the correct order of deferral amortization processing are necessary.

Q. Please explain the importance of ordering in more detail.

A. The PCAM must be processed first, as confirmed by Commission Order 17-071, and then the ROO must contain all costs, which is accomplished by the deferral reversing entries. After incorporating the PCAM outcome in the ROO, the resulting earnings test ROE can be compared to the target ROE to indicate if and how much deferred costs can be amortized subject to the earnings test.

After that, PGE would submit deferral amortization requests that are subject to an earnings test and that fit within the earnings test bounds established by the post-PCAM ROO. With each amortization decision, the ROO is updated to reflect those approvals or any amounts that might be specifically disallowed. After all deferrals subject to an earnings test are processed in this manner, we can then process the deferrals that are not subject to an earnings test, such as the referenced COVID and PHERA deferrals. In this way, PGE appropriately retains those latter amounts and not have their recovery affected by an earnings test imposed by an unrelated deferral such as Boardman.

Essentially, it is PGE's view that deferrals not subject to an earnings test should neither result in a refund due to its regulated ROE, nor *cause a refund* by inclusion within its regulated ROE, which is precisely what Staff and AWEC are advocating.

2. Failures of the Parties' Proposals

Q. You've addressed multiple errors in Parties' attacks on PGE's testimony, but what methods did Staff and AWEC use to determine that PGE should refund the entire 2020 Boardman deferral?

A. They assert that PGE's earnings test should only include the cost of deferrals that PGE has written off[37] or be adjusted only for the wildfire and Boardman deferrals.[38]

Q. Do you agree with these results?

A. No. We disagree for several reasons; the first one being that Staff and AWEC do not agree with each other on the basis of their adjustments or what they mean. AWEC's basic theme is that only deferrals that have been authorized to be refunded or written off can be reflected in the ROO. Essentially, AWEC cherry picks what can be reflected based on what will provide the most favorable outcome.

Furthermore, if the earnings test were required to include the amounts written off and the amounts related to deferrals with no earnings test, the result would not be the full $14 million. The result would be $12.7 million.[39]

[37] See AWEC/100, page 2.
[38] See Staff/100, page 18.
[39] See Exhibit 201.

Q. Please elaborate on your disagreement with Staff and AWEC's results.

A. PGE's write-off of the 2020 wildfire emergency deferral (which AWEC does accept as an adjustment) has had no Commission authorization. AWEC wants to apply a specific standard that would not include most deferrals[40] while Staff questions PGE's approach but makes conflicting interpretations of it and does not provide a specific proposal or examples of how their earnings test is to be performed. In other words, the Parties' arguments are skewed to achieve only a Boardman deferral refund, but do not lend themselves to a consistent process for applying an earnings test to any other deferrals.

V. Summary and Conclusions

Q. Please summarize your arguments.

A. We advocate that a holistic perspective should be taken when performing an earnings review on a utility, and we have shown how multiple perspectives of this earnings test supports a position that PGE should not refund any amount of the revenue requirement associated with Boardman in 2020.

PGE has already written-off $16 million associated with two other deferrals as a result of the calendar test, and we are not requesting recovery of this $16 million. We showed the results of a rolling 12-month earnings test, provided a clear explanation as to why we believe such a test is most appropriate, and explained our inability to effectively advocate for such a test in UE 394. However, the results of a rolling 12-month test were not known in UE 394,

[40] Very few deferrals are written off or authorized to be written off, and only certain ones result in refunds (e.g., R&D tax credit, UM 1991, and the FERC OATT deferral, UM 2217). The majority of approved deferrals are collection deferrals.

and we believe it is particularly compelling in this case and should be considered as a part of this decision.

We also discussed in detail our anomalous 2020 O&M expenses and showed methods by which adjustments could be made to account for them, just as other adjustments were made to address secondary and tertiary impacts of the trading losses. Such an adjustment would also result in no refund of the Boardman revenuer requirement for 2020.

Additionally, in the course of our testimony and exhibits in this proceeding, we have provided a normalized, accurate, and transparent ROO and earnings test for the 2020 and 2021 deferrals including Boardman. In addition, we have described in detail why the deferral reversing entry is appropriate and necessary for those ROOs, and how the ordering of deferrals for amortization is important to achieve reasonable and non-punitive results for PGE. In contrast, Staff's and AWEC's testimony is inaccurate and misleading and should be disregarded. Their reliance on Staff's 1992 letter and their interpretation of deferral processing would produce inconsistent results and ultimately provides no useful guidance for deferral amortization processing. In other words, their arguments are skewed to achieve only a Boardman deferral refund, but do not lend themselves to any other deferral processing.

Q. What do you specifically request of the Commission?

A. We respectfully request the following:

- That the Commission agrees that there is no refund to be made for the 2020 Boardman deferral;
- That the Commission consider PGE's rolling 12-month earnings test results for purposes of evaluating the 2020 Boardman deferral based on the appropriately representative deferral period as specified by OAR 860-027-0300;

- That the Commission acknowledge that PGE's calculation of Column 7 the 2020 ROO is accurate and provides appropriate earnings test results;
- That the Commission agrees that the deferral reversing entries are necessary to derive a consistent, accurate, and transparent earnings test result, and that they represent Type 1 accounting adjustments;
- That the Commission agrees that deferrals with no earnings test such as COVID and PHERA should be included among the deferral reversing entries so that they would not cause either a refund or lesser collection of a deferral that is subject to an earnings test;
- That the Commission agrees that PGE's detailed method of ordering deferrals for amortization is appropriate and reasonable for processing deferral amortization requests; and
- Should the Commission find it appropriate to require an updated and more detailed guidance for the ROO, it should occur in a manner that allows input from all utilities.

Q. Does this conclude your testimony?

A. Yes.

List of Exhibits

PGE Exhibit	Description
201	2020 ROO Summary Including Deferrals without Earnings Test

UE 410

Exhibit 201

Provided in Electronic Format Only