



Oregon

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June 13, 2008

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
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RE: **Docket No. DR 10, UE 88 and UM 989** – In the Matter of The Application of Portland General Electric Company for an Investigation into Least Cost Plan Retirement, (DR 10), Revised Tariffs Schedules for Electric Service in Oregon Filed by Portland General Electric Company, (UE 88), and Portland General Electric Company's Application for an Accounting Order and for Order Approving Tariff Sheets Implementing Rate Reduction. (UM 989)

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

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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Email: kay.barnes@state.or.us

c: DR10, UE88 and UM 989 Service Lists (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

**DR 10/UE 88/ UM 989
PHASE III**

**STAFF REBUTTAL TESTIMONY OF
Judy Johnson**

**In the Matter of
The Application of Portland General Electric Company for an
Investigation into Least Cost Plan Retirement, (DR 10)**

**Revised Tariffs Schedules for Electric Service in Oregon
Filed by Portland General Electric Company, (UE 88)**

**Portland General Electric Company's Application for an
Accounting Order and for Order Approving Tariff Sheets
Implementing Rate Reduction. (UM 989)**

June 13, 2008

CASE: DR10/UE88/UM989
WITNESS: Judy Johnson

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 600

Phase III Rebuttal Testimony

June 13, 2008

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Judy Johnson. I am Program Manager of the Rates and Tariffs
4 Section in the Electric and Natural Gas Division at the Public Utility
5 Commission of Oregon. My business address is 550 Capitol Street NE Suite
6 215, Salem, Oregon 97301-2551.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
8 **EXPERIENCE.**

9 A. My Witness Qualification Statement is found in Exhibit Staff/101.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to reply to the Phase III issues in this DR
12 10/UE 88/UM 989 remand proceeding.

13 **Q. IS THERE ANY DISAGREEMENT AS TO ISSUE 1, THE**
14 **UNDEPRECIATED INVESTMENT IN TROJAN AT THE TIME OF THE UM**
15 **989 SETTLEMENT?**

16 A. No. The parties are in agreement that the Trojan balance at September 30,
17 2000, was \$180.5 million. See URP Exhibit 501, page 3.

18 **Q. HOW DOES STAFF RESPOND TO URP/500-C, LAZAR/8, WHICH**
19 **REFERS TO TROJAN AS A NON-INTEREST EARNING ASSET, AND**
20 **ASSERTS THAT BECAUSE THE CREDITS USED IN THE OFFSET WERE**
21 **INTEREST-BEARING, THE RESULTING RATES PROVIDED PGE WITH**
22 **THE FUNCTIONAL EQUIVALENT OF A "RETURN ON" THE REMAINING**
23 **UNDEPRECIATED INVESTMENT IN TROJAN?**

1 A. The fact that the credits used in the offset were subject to interest did not mean
2 Trojan was provided the functional equivalent of a return. The commission
3 effectively approved amortization over a single day, so whether the amounts in
4 the offset could or could not earn interest was irrelevant. The present value of
5 both Trojan and credits were the stated balances on September 30, 2000. As
6 staff pointed out in Staff/500/3, the Commission had discretion to amortize both
7 Trojan and credits and was under no obligation to amortize either over any
8 particular period of time.

9 **Q. WHAT IS STAFF'S RESPONSE TO PAGES 10-12 OF URP/500-C, WHERE**
10 **URP STATES THAT ALL NEIL DISTRIBUTIONS MUST BE RETURNED**
11 **TO CUSTOMERS IN THE SETTLEMENT, BECAUSE CUSTOMERS PAID**
12 **THE PREMIUMS RELATED TO THOSE FUNDS?**

13 A. Ratemaking consists of setting rates based on estimated costs and revenues,
14 and in UM 989 the Commission calculated a net benefit for customers of \$34
15 million prior to the company's \$15 million share of the NEIL benefit. URP
16 seems to be cherry-picking by arguing that the NEIL distributions be returned
17 on a "dollar for dollar" basis. If the Commission were to apply such an
18 approach, then the calculated benefit that customers received from the
19 settlement should be returned to PGE – for example, reversing the rate
20 decrease on October 1, 2000; and the write-off of the residual balance sheet
21 amount (\$5 million); and adding a return on the FAS 109 liability to customer
22 rates.

1 **Q. HOW DOES STAFF RESPOND TO URP/500-C, LAZAR 14-18, WHICH**
2 **STATES THAT THE NET BENEFIT ANALYSIS IS FLAWED BECAUSE**
3 **PGE CLAIMS AS A BENEFIT FOR RATEPAYERS AN UNSPECIFIED**
4 **AMOUNT OF TROJAN RETURN ON INVESTMENT, AND THAT UNDER**
5 **THE “NO SETTLEMENT” SCENARIO THE COST OF TROJAN WOULD**
6 **SHARPLY DECLINE WHEN RETURN ON INVESTMENT IS REMOVED?**

7 A. Even if you ignore the net benefits test, staff notes that the amount of the
8 credits were lower than the amount of the Trojan balance, as illustrated by the
9 balance sheet summary that shows PGE wrote off \$5.1 million of a residual
10 amount.

11 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**


12 A. Yes.

13

CERTIFICATE OF SERVICE
DR10, UE88 and UM 989

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 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 13th day of June, 2008.



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**DR 10
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**UM 989
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