BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

UE 319
General Rate Case Filing
For Prices Effective January 1, 2018

PORTLAND GENERAL ELECTRIC COMPANY

Executive Summary

February 28, 2017
BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

UE 319

In the Matter of

PORTLAND GENERAL ELECTRIC COMPANY

Request for a General Rate Revision

EXECUTIVE SUMMARY OF
PORTLAND GENERAL ELECTRIC COMPANY
I. INTRODUCTION

Portland General Electric Company ("PGE") is an electric company and public utility pursuant to ORS 757.005. The Public Utility Commission of Oregon has jurisdiction over the price and terms of service for PGE’s customers. PGE is filing this request to revise its tariff schedules pursuant to ORS 757.205 and ORS 757.220. This executive summary is submitted to meet the requirements of OAR 860-022-0019.

PGE’s last general rate case was filed two years ago. That case, and the case that preceded it, were driven by the addition of new generating plants. The request in this case is largely centered on meeting customers’ expectations for quality service in a safe and reliable manner. PGE’s mission is to be a company on which customers and communities can depend for electric service provided in a safe, sustainable and reliable manner, with excellent customer service, at reasonable prices. To that end, this case includes investments in technology and infrastructure improvements in several areas including:

1) Strengthening the power grid against earthquakes, cyberattacks, and other potential threats.

2) Enhancing our cyber security program using risk-based prioritization of enterprise-wide initiatives recommended by outside consultants.

3) Continuing to follow our business continuity and emergency management roadmap, with the goal to achieve a level of preparedness and resilience appropriate for a provider of a critical public service.

4) As part of the Customer Engagement Transformation program ("CET") that has been discussed in PGE’s last three rate cases, PGE is replacing its outdated Customer Information System ("CIS") and Meter Data Management System ("MDMS"). This will
Improve the way we interact with customers, enable better business processes, and provide more efficient billing through automation. These systems are expected to be placed in service in the second quarter of 2018 and represent the culmination of CET efforts over many years.

5) Participation in the Western Energy Imbalance Market (“Western EIM”), beginning October 1, 2017. This will enable the most efficient use of regional power plants and provide lower costs to customers.

6) Adding necessary infrastructure to support new customers and making strategic capital improvements to the Transmission and Distribution system to reduce reliability risk.

An additional driver is lower forecasted energy sales. PGE has long supported efficiency measures, and on average residential customers are decreasing their electric consumption. An additional factor in reduced projected residential use is the trend in heating and cooling degree days. The change in load forecast does impact the recovery of fixed costs which is a factor in this case.

PGE has taken a number of steps to reduce the requested price increase in this case. PGE’s benchmarking and continuous improvement cycle implemented in the past several years has yielded savings and decreased upward pressure on costs. PGE also reduced its request in this docket by: 1) removing 100% of Officer Long-term Incentive Program costs and 50% of all other incentive plan costs, 2) removing 50% of the costs of certain layers of directors and officer insurance, 3) requesting a return on equity in the lower portion of the range supported by its expert witness, and 4) excluding the CIS and MDMS investments described above from the revenue requirement in this case. PGE will seek alternatives to incorporate these investments into customer prices after they are in-service.
The overall request is an increase in revenues of approximately $99.9 million, or 5.60% relative to currently approved prices.

II. SUMMARY OF THIS CASE

As described below, fourteen pieces of testimony discuss the basis for our request in this case. The witnesses are all, with the exception of the witness on the appropriate return on equity, PGE officers and/or employees. The testimony discusses the cost drivers in each area and the projected 2018 costs incorporated into this case.

This case is based on a normalized future test period of calendar year 2018, except that for rate base we use the balance as of December 31, 2017. In order to comply with IRS normalization requirements, we base depreciation expense on 2017 rate base. PGE seeks a schedule in this docket that will allow for a Commission order by December and revised tariff schedules implemented on January 1, 2018. The dollar amounts of the changes are discussed above.

PGE requests an authorized return on equity ("ROE") of 9.75% with a forecasted capital structure of 50% equity and 50% debt. The projected test year results show that without a price increase, PGE will earn an ROE of approximately 7.23%. That is significantly below PGE’s currently authorized ROE, and below the level needed to maintain PGE’s credit and attract capital.

As set forth in the testimony in this docket, PGE is making significant infrastructure and technological investments to meet our customers’ needs for safe, reliable service. Prices need to be set to allow PGE the opportunity to earn a return on invested capital that is commensurate with similar companies, allowing it to maintain its credit and attract capital on terms that will
ultimately be beneficial to customers.

**Accounting Orders.** PGE also requests that as part of this rate case the Commission approve the following:

An accounting order for pension expense necessary to mitigate an increase that would otherwise occur due to a change in FASB accounting standards. This is discussed in PGE Exhibit 400.

An accounting order related to CET costs to authorize 2018 CET program development O&M costs be booked to a regulatory asset along with all remaining balances from prior CET expense deferrals, and that the remaining balance of all 2014-2018 deferrals be amortized in base prices over ten years beginning in 2018. This proposal is discussed in PGE Exhibit 900.

Implementation of a major maintenance accrual for the Colstrip power plant similar to the accruals for the Port Westward 1, Coyote Springs, Port Westward 2, and Carty generating plants. This proposal is discussed in PGE Exhibit 700.

Changing the major storm accrual to a balancing account similar to that used for major maintenance accruals. This is discussed in PGE Exhibit 800.

**Net Variable Power Costs.** Each year under Schedule 125, PGE’s prices are adjusted to reflect projected net variable power costs (“NVPC”) for the coming year, and transition charges or credits for those customers opting for an alternate electricity supplier are calculated. Schedule 125 requires PGE to file estimates of the adjustments on or before April 1. In addition to the NVPC forecast and Minimum Filing Requirements (“MFRs”) with this filing, PGE intends to file an update, with additional MFR documentation, by April 1. PGE requests a schedule that will allow for a Commission decision of NVPC issues by mid-October consistent with the requirements of PGE’s Tariff Schedules 125 and 128, and the November 2017 direct access
Compliance with OAR 860-022-0019. Attached as Exhibit 1 is the information required by OAR 860-022-0019. That exhibit shows the impact of the proposed price change on each customer class. The impact on residential customers of the requested price change is an increase of 7.1%, and the increase for an average residential customer using 820 kWh per month is $7.30.

III. TESTIMONY

PGE's testimony and exhibits demonstrate that the Commission should approve this Application. The prices and tariffs proposed result in prices that are just and reasonable. PGE is introducing fourteen pieces of testimony sponsored by the following witnesses:

<table>
<thead>
<tr>
<th>EXHIBIT NO.</th>
<th>TITLE</th>
<th>WITNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>Policy</td>
<td>James J. Piro and Jim Lobdell</td>
</tr>
<tr>
<td>200</td>
<td>Revenue Requirement</td>
<td>Alex Tooman and Rebecca Brown</td>
</tr>
<tr>
<td>300</td>
<td>Net Variable Power Costs</td>
<td>Mike Niman, Terri Peschka and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aaron Rodehorst</td>
</tr>
<tr>
<td>400</td>
<td>Total Compensation</td>
<td>Anne Mersereau and Jardon</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jaramillo</td>
</tr>
<tr>
<td>500</td>
<td>Information Technology and Cyber Security</td>
<td>Cam Henderson, Behzad Hosseini</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and Travis Anderson</td>
</tr>
<tr>
<td>600</td>
<td>Corporate Support/A&amp;G</td>
<td>Jim Lobdell and Alex Tooman</td>
</tr>
<tr>
<td>700</td>
<td>Production O&amp;M</td>
<td>Brad Jenkins and Aaron Rodehorst</td>
</tr>
<tr>
<td>800</td>
<td>Transmission and Distribution</td>
<td>Bill Nicholson and Larry Bekkedahl</td>
</tr>
<tr>
<td>900</td>
<td>Customer Service</td>
<td>Kristin Stathis and Carol Dillin</td>
</tr>
<tr>
<td>1000</td>
<td>Cost of Capital</td>
<td>Patrick Hager and Chris Liddle</td>
</tr>
<tr>
<td>1100</td>
<td>Return on Equity</td>
<td>Bente Villadsen</td>
</tr>
</tbody>
</table>
IV. SUMMARY OF TESTIMONY

**Exhibit 100.** James J. Piro, President and Chief Executive Officer (“CEO”) and Jim Lobdell, Sr. Vice President, Finance, Chief Financial Officer (“CFO”), and Treasurer present the opening testimony. They explain the business context for this filing including the investments being made to strengthen the power grid against physical and cyber threats, support for and participation in the Western EIM, new infrastructure required for new customers, and other key proposals. They continue describing the efficiency efforts PGE has successfully implemented, and measures proposed to mitigate the price increase requested in this docket. As the CEO and CFO, Messrs. Piro and Lobdell explain the policy drivers behind PGE’s requests in this case, and why they are in the interests of customers. Messrs. Piro and Lobdell also introduce the other testimony in this docket.

**Exhibit 200.** Project Manager Alex Tooman and Senior Analyst Rebecca Brown summarize the overall 2018 test year revenue requirement and compare the request with 2016 costs. Their testimony also discusses PGE’s rate base at year end 2017, associated depreciation and amortization, and unbundled results.

**Exhibit 300.** PGE Managers Mike Niman and Terri Peschka, and Senior Analyst Aaron Rodehorst present PGE’s NVPC. The initial NVPC forecast for 2018 is $353.6 million. This is a decrease of about $29.3 million from the 2017 NVPC determined in PGE’s recent Annual Update Tariff proceeding, Docket UE 308.

As stated above, PGE requests that a schedule be implemented in this docket to allow for
a Commission decision of NVPC issues by mid-October consistent with the requirements of PGE’s Tariff Schedules 125 and 128, and the November 2017 direct access window.

**Exhibit 400.** Anne Mersereau, Vice President of Human Resources, Diversity and Inclusion, and Jardon Jaramillo, previously the Director of Compensation and Benefits and currently Controller and Assistant Treasurer, testify on compensation and human resource issues. These witnesses describe compensation costs for 2018, changes to PGE compensation policies and plans, and a proposed pension cost recovery and pension investment strategy.

**Exhibit 500.** Cam Henderson, Vice President of Information Technology and Chief Information Officer (“CIO”), and Behzad Hosseini, Director of the Office of CIO, and Travis Anderson, Information Security Director and Manager of IT Risk Management, explain the costs and drivers related to information technology and cyber security.

**Exhibit 600.** Jim Lobdell, Senior Vice President, Finance, CFO and Treasurer, and Alex Tooman, Project Manager, explain PGE’s costs related to corporate support including business continuity and emergency management, safety, insurance, research and development and environmental services.

**Exhibit 700.** PGE’s long-term power supply resources and associated costs are presented by Bradley Jenkins, Vice President of Power Supply Generation, and Aaron Rodehorst, Senior Analyst. These witnesses discuss plant performance and PGE’s proposal to create a major maintenance accrual for the Colstrip generating plant.

**Exhibit 800.** Bill Nicholson, Senior Vice President of Customer Service, Transmission and Distribution, and Larry Bekkedahl, Vice President of Transmission and Distribution, testify regarding PGE’s transmission and distribution (“T&D”) system. These witnesses explain the test-year costs necessary to provide service, capital improvement efforts, and how they support...
PGE’s goal of operational excellence. These witnesses also present PGE’s proposal for a balancing account for major storm restoration costs.

**Exhibit 900.** Kristin Stathis, Vice President of Customer Service Operations, and Carol Dillin, Vice President of Customer Strategies and Business Development, address PGE’s Customer Service functions and costs for 2018. They explain customer service O&M costs, details regarding the CET program, and initiatives that support the customer experience.

**Exhibit 1000.** Patrick Hager, Manager of Regulatory Affairs, and Chris Liddle, Assistant Treasurer and Manager of Corporate Finance and Investor Relations, present PGE’s testimony on cost of capital and capital structure for 2018. On behalf of PGE, these witnesses request a 7.46% weighted average cost of capital for PGE. This includes an ROE of 9.75% and long-term debt cost of 5.17%. The witnesses address the impact of the Commission’s decision regarding ROE on PGE’s credit quality and the future cost of raising capital.

These witnesses also address PGE’s current and proposed test-year capital structure. In this docket PGE proposes the same capital structure for ratemaking as was approved in immediately previous rate cases, 50% equity and 50% debt. Finally, the witnesses address some of the specific risks PGE encounters that are relevant to PGE’s cost of capital and to the appropriate ROE to be used in this docket.

**Exhibit 1100.** Bente Villadsen, economist and principal at The Brattle Group, addresses PGE’s equity costs. Dr. Villadsen concludes that PGE’s required return on equity falls in a range of 9.3% to 10.3%, with a recommendation that PGE’s authorized ROE be no less than 9.75%.

**Exhibit 1200.** Sarah Dammen, Manager of Financial Forecasting and Economic Analysis, and Amber Riter, Economist and lead Load Forecasting Analyst, present PGE’s load forecast for 2018 and explain the method in forecasting 2018 load, including: 1) a change in
methodological approach to forecasting peak demand to a proposed regression-based model; and 2) a change in forecast modeling from assuming normal weather to a proposed trended weather approach. As has been done in previous cases, PGE will update the load forecast during this case as updated economic and customer data become available.

**Exhibit 1300.** Marc Cody and Robert Macfarlane, Senior Analysts, present PGE’s marginal cost studies for generation, transmission, distribution, and customer service. Those studies are then used in determining rate spread, rate design, and proposed prices in this docket, as explained in Exhibit 1400.

**Exhibit 1400.** Marc Cody and Robert Macfarlane, Senior Analysts, testify on pricing. These witnesses discuss how they develop prices for the price schedules, a proposed one dollar change to the residential basic charge, and the changes to various supplemental schedules.

**V. COMMUNICATIONS**

PGE requests that communications regarding this filing be addressed to:

Jay Tinker  
Director, Rates and Regulatory Affairs  
121 SW Salmon Street, 1WTC0306  
Portland, OR 97204  
pge.opuc.filings@pgn.com

Doug Tingey  
Associate General Counsel  
121 SW Salmon Street, Suite 1301  
Portland, OR 97204  
doug.tingey@pgn.com

**VI. REQUEST FOR APPROVALS**

PGE requests that the Commission issue an order:

(1) Approving the requested price changes;

(2) Approving the proposed tariffs;

(3) Approving the requested accounting order for pension expense;

(4) Approving the requested accounting order for CET costs;
(5) Approving a major maintenance accrual for the Colstrip power plant; and

(6) Approving a balancing account mechanism for major storms.

Dated: this 28th day of February, 2017.

Respectfully submitted,

[Signature]

DOUGLAS C. TINGEY, OSB No. 044366
Portland General Electric Company
121 SW Salmon Street, 1WTC1301
Portland, OR 97204
Telephone: 503-464-8926
Fax: 503-464-2200
E-Mail: doug.tingey@pgn.com
### Exhibit 1

**Case Summary**

($000)

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<table>
<thead>
<tr>
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</tr>
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<tbody>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td>$1,883,332</td>
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<tr>
<td><strong>Change in Revenues Requested</strong></td>
<td></td>
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<tr>
<td><strong>Total Change in Revenues Requested</strong></td>
<td>$99,897</td>
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<tr>
<td><strong>Total Change net of RPA</strong></td>
<td>$99,897</td>
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<tr>
<td><strong>Percent Change in Base Revenues Requested</strong></td>
<td>5.60%</td>
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<tr>
<td><strong>Percent Change net of RPA</strong></td>
<td>5.81%</td>
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</table>

| **Test Period** | 2018 |
| **Requested Rate of Return on Capital (Rate Base)** | 7.46% |
| **Requested Rate of Return on Common Equity** | 9.75% |
| **Proposed Rate Base** | $4,594,052 |

**Results of Operation**

**A. Before Price Change**

- **Utility Operating Income** $284,665
- **Rate Base** $4,592,534
- **Rate of Return on Capital** 6.20%
- **Rate of Return on Common Equity** 7.23%

**B. After Price Change**

- **Utility Operating Income** $342,716
- **Rate Base** $4,594,052
- **Rate of Return on Capital** 7.46%
- **Rate of Return on Common Equity** 9.75%

**Base Rate Effect of Proposed Price Change**

<table>
<thead>
<tr>
<th><strong>Group</strong></th>
<th><strong>Percent</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Residential Customers</strong></td>
<td>7.08%</td>
</tr>
<tr>
<td><strong>B. Small Non-residential Customers</strong></td>
<td>5.66%</td>
</tr>
<tr>
<td><strong>C. Large Non-residential Customers</strong></td>
<td>3.39%</td>
</tr>
<tr>
<td><strong>D. Lighting &amp; Signal Customers</strong></td>
<td>2.14%</td>
</tr>
</tbody>
</table>

**Note:** Percent Changes are on a cycle basis for Cost of Service Customers.