

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

UE 335

**General Rate Case Filing
For Prices Effective January 1, 2019**

PORTLAND GENERAL ELECTRIC COMPANY

Executive Summary

February 15, 2018

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE 335

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Request for a General Rate Revision

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**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 (“Commission”) 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 previous general rate case was filed last year. That case, like this one, was largely driven by investments in technology and infrastructure improvement centered on meeting customers’ expectations and industry challenges. PGE is proud 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 the continuation of investments in technology and infrastructure improvements in several areas including:

- 1) Enhancing reliability by making upgrades to PGE’s transmission and distribution (“T&D”) system, and replacing infrastructure that has reached the end of its useful life. This is in addition to the capital and labor required to support new connections and meet customer demand.
- 2) Strengthening PGE’s information technology (“IT”) systems against outside attacks.
- 3) Upgrading and modernizing PGE’s information network will allow it to handle the increasing magnitude of data flow, and be flexible and reliable enough, to cope with more frequent changes and new requirements.
- 4) Implementing PGE’s Customer Engagement Transformation program (“CET”) that has been discussed in PGE’s last four rate cases. PGE is replacing its outdated Customer

Information System and Meter Data Management System. This will improve the way we interact with customers, enable better business processes, and provide more efficient billing through automation. These systems are on track to be placed in service in the second quarter of 2018 and represent the culmination of CET efforts over many years.

Additional increased costs, and upward pressure on prices, in this case include:

- 1) An initial forecast of a \$39 million increase in PGE's Net Variable Power Costs ("NVPC").
- 2) Higher property taxes due to increasing plant assets, a full year of the Carty Strategic Investment Program, and higher Montana rates for Colstrip.
- 3) About \$14 million in reduced revenues due to lower forecasted energy sales. Even with new connections, PGE's loads are forecasted to decrease in 2019 from 2017 levels.

A significant offset to these increased expenses is the effect of the recent tax reform act.

As discussed in PGE Exhibit 200, this will have a number of impacts on PGE's 2019 costs.

PGE has taken a number of additional steps to reduce the requested price increase in this case. PGE 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, and 3) requesting a return on equity in the lower portion of the range supported by its expert witness, and the same return on equity authorized in PGE's recently concluded rate case. The testimony of Maria Pope and Jim Lobdell, PGE Exhibit 100, describes the cost management efforts of PGE, and discusses some specific examples. The overall request is an increase in revenues of approximately \$86 million, or 4.8% relative to currently approved prices.

II. SUMMARY OF THIS CASE

As described below, thirteen pieces of testimony discuss the bases for our request in this case. The witnesses are all, with the exception of the witness on the appropriate return on equity (“ROE”), PGE officers and/or employees. The testimony discusses the cost drivers in each area and the projected 2019 costs incorporated into this case.

This case is based on a normalized future test period of calendar year 2019, except that for rate base we use the balance as of December 31, 2018. In order to comply with Internal Revenue Service normalization requirements, we base depreciation expense on 2018 plant-in-service. PGE seeks a schedule in this docket that will allow for a Commission order by mid-December and revised tariff schedules implemented on January 1, 2019. The dollar amounts of the changes are discussed above and summarized in Exhibit 1.

PGE requests a continuation of our currently authorized ROE of 9.50% 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 7.01%. That is significantly below PGE’s currently authorized ROE, and below the level needed to maintain PGE’s credit ratings 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 and Tariff changes. PGE also requests that as part of this rate case the Commission approve the following:

Renewal and modification of PGE's Schedule 123 decoupling mechanism, as discussed in PGE Exhibit 1300.

Two revisions regarding direct access for larger customers: 1) tariff changes regarding imbalance service for significant deviations between the usage of Electricity Service Supplier ("ESS") customers and power deliveries by the ESS, and 2) changes to the Schedule 129 transition charges or credits for customers choosing long-term direct access. These proposals are discussed in PGE Exhibit 1300.

Changing the major storm accrual to a balancing account. This is discussed in PGE Exhibit 800.

PGE's proposed Qualifying Facility ("QF") on-line date true-up, as discussed in PGE Exhibit 300.

Net Variable Power Costs. Each year under Schedule 125, PGE's prices are adjusted to reflect projected 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 2018 direct access window.

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 6.3%, and the increase for an average residential customer using 800 kWh per month is \$6.52.

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 thirteen pieces of testimony sponsored by the following witnesses:

<u>EXHIBIT NO.</u>	<u>TITLE</u>	<u>WITNESSES</u>
100	Policy	Maria Pope and Jim Lobdell
200	Revenue Requirement	Alex Tooman and Marco Espinoza
300	Net Variable Power Costs	Mike Niman, Cathy Kim, and Greg Batzler
400	Total Compensation	Anne Mersereau and Tamara Neitzke
500	Corporate Support/A&G	Jim Lobdell and Greg Batzler
600	IT and Cyber Security	Larry Buttress
700	Production O&M	Brad Jenkins and Stefan Cristea
800	Transmission and Distribution	Bill Nicholson and Larry Bekkedahl
900	Customer Service	Kristin Stathis and Carol Dillin
1000	Cost of Capital Return on Equity	Patrick Hager and Chris Liddle Bente Villadsen
1100	Load Forecast	Amber Riter and Alison Lucas
1200	Marginal Cost of Service	Robert Macfarlane and Jacob Goodspeed
1300	Pricing	Robert Macfarlane and Jacob Goodspeed

IV. SUMMARY OF TESTIMONY

Exhibit 100. Maria Pope, 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, new infrastructure required for new customers, and other key proposals. They also describe the efficiency efforts PGE has successfully implemented, and measures proposed to mitigate the price increase requested in this docket. As the CEO and CFO, Ms. Pope and Mr. Lobdell explain the policy drivers behind PGE’s requests in this case, and why they are in the interests of customers. Ms. Pope and Mr. Lobdell also introduce the other testimony in this docket.

Exhibit 200. Dr. Alex Tooman, Senior Regulatory Consultant, and Marco Expinoza, Senior Financial Analyst, summarize the overall 2019 test year revenue requirement and compare the request with 2017 costs. Their testimony also discusses PGE’s rate base at year end 2018, associated depreciation and amortization, and unbundled results.

Exhibit 300. PGE Managers Mike Niman and Cathy Kim, and Senior Regulatory Analyst Greg Batzler present PGE’s NVPC. The initial NVPC forecast for 2018 is \$375.3 million. This is an increase of about \$39 million from the 2018 NVPC determined in PGE’s recent general rate case proceeding, Docket No. UE 319.

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 2018 direct access window.

Exhibit 400. Anne Mersereau, Vice President of Human Resources, Diversity and Inclusion, and Tamara Neitzke, Director of Compensation and Benefits, testify on compensation and human resource costs and issues for 2019.

Exhibit 500. Jim Lobdell, Senior Vice President, Finance, CFO and Treasurer, and Greg Batzler, Senior Regulatory Analyst, explain PGE's costs related to corporate support including human resources, insurance, research and development, security, and memberships.

Exhibit 600. Larry Buttress, Interim Vice President and Chief Information Officer, explains the costs and drivers related to IT and cyber security.

Exhibit 700. PGE's long-term power supply resources and associated costs are presented by Bradley Jenkins, Vice President of Power Supply Generation, and Stefan Cristea, Regulatory Analyst. These witnesses discuss plant performance, and operations and maintenance ("O&M") costs associated with PGE's power supply resources.

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 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, and for the inclusion of the 2017 storm deferral in that balancing account.

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 2019. 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, Corporate Finance and Investor Relations Manager and Assistant Treasurer, present PGE's testimony on cost of capital and capital structure for 2019. Dr. Bente Villadsen, economist and principal at The Brattle Group, addresses PGE's equity costs. On behalf of PGE, these witnesses request a 7.31% weighted average cost of capital for PGE. This includes an ROE of 9.50%, the same as recently approved in Docket No. UE 319, and long-term debt cost of 5.12%. 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.

Exhibit 1100. Amber Riter, Principal Analyst, and Alison Lucas, Senior Analyst, present PGE's load forecast for 2019 and explain the method in forecasting 2019 load, including 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 1200. Robert Macfarlane, Interim Manager, Pricing and Tariffs, and Jacob Goodspeed, Senior Regulatory Analyst, 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 PGE Exhibit 1300.

Exhibit 1300. Robert Macfarlane, Interim Manager, Pricing and Tariffs, and Jacob Goodspeed, Senior Regulatory Analyst, testify on pricing. These witnesses discuss how they develop prices for the tariff schedules, a proposed increase to the residential basic charge, and

the changes to various supplemental schedules. These witnesses also discuss PGE's proposals regarding decoupling, direct access transition charges and credits, and ESS scheduling provisions.

V. COMMUNICATIONS

PGE requests that communications regarding this filing be addressed to:

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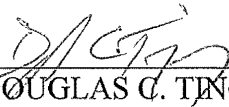
VI. REQUEST FOR APPROVALS

PGE requests that the Commission issue an order:

- (1) Approving the requested price changes;
- (2) Approving the proposed tariffs;
- (3) Approving a balancing account mechanism for major storms;
- (4) Adopting the QF on-line date true-up proposal;
- (5) Renewing and revising PGE's decoupling mechanism; and
- (6) Approving the requested changes to direct access transition charges and credits, and ESS scheduling provisions.

Dated: this 15th day of February, 2018.

Respectfully submitted,



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Exhibit 1
Case Summary
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	Total Revenue Requirement	\$1,884.6	
	Change in Revenues Requested		
	Total Change in Revenues Requested	\$85.9	
	Total Change net of RPA	\$85.1	
	Percent Change in Base Revenues Requested	4.8%	
	Percent Change net of RPA	4.9%	
	Test Period	2019	
	Requested Rate of Return on Capital (Rate Base)	7.31%	
	Requested Rate of Return on Common Equity	9.50%	
	Proposed Rate Base	\$4,857.2	
	Results of Operation		
	A. Before Price Change		
	Utility Operating Income	\$294.6	
	Rate Base	\$4,856.2	
	Rate of Return on Capital	6.07%	
	Rate of Return on Common Equity	7.01%	
	B. After Price Change		
	Utility Operating Income	\$355.1	
	Rate Base	\$4,857.2	
	Rate of Return on Capital	7.31%	
	Rate of Return on Common Equity	9.50%	
	Base Rate Effect of Proposed Price Change		
	A. Residential Customers	6.3%	
	B. Small Non-residential Customers	7.1%	
	C. Large Non-residential Customers	2.7%	
	D. Lighting & Signal Customers	0.0%	
	Note: Percent Changes are on a cycle basis for Cost of Service Customers		