



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204  
PortlandGeneral.com

July 28, 2017

**via email**

[puc.filingcenter@state.or.us](mailto:puc.filingcenter@state.or.us)

Public Utility Commission of Oregon  
201 High Street, Ste. 100  
P. O. Box 1088  
Salem, OR 97308-1088

**Attn: OPUC Filing Center**

**Re: UM 1791 PGE's Application for Deferral or Reauthorization of Incremental Revenue Requirement Associated with the Carty Generating Station and Delay of Commission Review of PGE's Application until Legal Actions are Resolved**

Enclosed for filing is a signed Application of Portland General Electric Company's application for deferral of the incremental revenue requirement associated with the Carty Generating Station, or, in the alternative, reauthorization of deferral of the incremental revenue requirement associated with the Carty Generating Station. Additionally, in this Application, PGE seeks a delay of Commission review of this Application until all legal actions, including PGE's claims against Liberty Mutual Insurance Company and Zurich American Insurance Company, are resolved.

A Notice regarding the filing of this application has been provided to the parties on the UE 319 service list.

Parties who wish to receive a copy of this Application should review the Oregon Public Utility Commission (OPUC) website.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-8929 or Greg Batzler at (503) 464-8644. Please direct all formal correspondence, questions, or requests to the following e-mail address [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan Brown", is written over a faint, larger version of the signature.

Stefan Brown  
Manager, Regulatory Affairs

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1791

**In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Incremental Revenue Requirement Associated with the Carty Generating Station**

**Application for Deferral of Incremental Revenue Requirement Associated with the Carty Generating Station, or, in the Alternative, Reauthorization of Deferral of Incremental Revenue Requirement Associated with the Carty Generating Station, and Delay of Commission Review of PGE's Application until Legal Actions are Resolved**

Pursuant to 757.259 and OAR 860-027-0300, Portland General Electric Company (PGE) hereby requests authorization, or in the alternative, reauthorization to defer for later ratemaking treatment PGE's revenue requirement associated with Carty Generating Station (Carty) capital costs greater than those approved by Public Utility Commission of Oregon (Commission) Order No. 15-356 in PGE's 2016 General Rate Case (i.e., OPUC Docket No. UE 294). These costs are associated with extraordinary events that took place after the November 3, 2015 Commission Order.

**I. Deferral History.**

On July 29, 2016, PGE filed an application requesting approval to defer incremental revenue requirement associated with Carty and the extraordinary events resulting in:

- 1) PGE's taking control of construction on the Carty site in order to place it into service;
- 2) PGE's termination of the construction agreement;
- 3) PGE declaring Abeinsa Abener Teyma General Partnership (Abeinsa), the engineering, procurement, and construction (EPC) contractor for Carty, in default under its construction agreement;

- 4) PGE requesting it be allowed to defer for later ratemaking treatment PGE's revenue requirement associated with Carty capital costs higher than the \$514 million approved in Commission Order No. 15-356 (July 29, 2016 application); and
- 5) PGE requesting that Commission Review be delayed until such time as all legal actions are resolved in the matter.

PGE filed its application requesting an effective date of July 29, 2016, and as stated above requests a delay of Commission review until resolution of all legal actions around the extraordinary event.

PGE's initial filings estimated Carty capital expenses to be higher than the \$514 million approved in OPUC Order No. 15-356. Absent this Application, PGE's revenue requirement associated with the capital cost greater than \$514 million will not be recovered until a future general rate proceeding when PGE would seek to recover any incremental capital costs. As described in more detail in subsequent sections of this filing, PGE is seeking to defer the revenue requirement associated with these costs pursuant to ORS 757.259(2)(e).

PGE requests authorization or reauthorization of this deferral to become effective July 29, 2017 through July 28, 2018.

## **II. OAD 860-027-0300 (3) Requirements.**

The following is provided pursuant to OAD 860-027-0300 (3):

### **a. Description of Utility Expense for Which Deferred Accounting is Requested**

See Deferral History above. PGE seeks authorization to record and defer the revenue requirement associated with Carty capital costs, in excess of costs allowed through Commission Order No. 15-356. These costs are associated with extraordinary events that took place after the Commission issued Order No. 15-356 on November 3, 2015. These extraordinary events

resulted in PGE taking control of construction on the Carty site after PGE terminated the construction agreement with Abeinsa, the original EPC contractor. PGE has also filed a breach of contract action against Liberty Mutual Insurance Company and Zurich American Insurance Company (Sureties) in the U.S. District Court of Oregon. The Sureties provided a performance bond of \$145.6 million under the terminated construction agreement. PGE's claim against the Sureties could take considerable time to be fully resolved (i.e., years). Therefore, PGE also seeks a delay of Commission review of this Application until all legal actions, including PGE's claims against the Sureties, are resolved and PGE can identify an updated net revenue requirement (i.e., inclusive of any amounts received from the Sureties).

As of June 30, 2017, PGE has capitalized approximately \$635 million for Carty, classified as electric utility plant, which amounts to approximately \$121 million in capital costs relevant to this Application (prior to any amounts received from the Sureties). This estimate does not include the additional amount of approximately \$7 million of lien claims, filed for goods and services provided under contracts with Abeinsa while it was still the EPC contractor that remain in dispute. PGE believes these liens are invalid and is contesting the claims in the courts.

Amortization of the deferred amount would occur after a future Commission ratemaking proceeding.

b. Reasons for Deferral.

PGE seeks this deferral pursuant to ORS 757.259(2)(e). As noted above, PGE seeks to defer for later ratemaking treatment PGE's revenue requirement associated with Carty's capital costs greater than those approved by Commission Order No. 15-356 (i.e., incremental capital costs). The allowance and/or continuation of the deferral will minimize the frequency of rate

changes or fluctuations pursuant to ORS 757.259(e), or match appropriately the costs borne by and benefits received by customers. Approving the application or continuance thereof, will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding. PGE expects to recover or refund any deferred amount in a manner approved by the Commission.

PGE's capital costs greater than the \$514 million approved in Commission Order No. 15-356 were necessary costs to place Carty into service. Therefore, it is appropriate for the Commission to authorize and continue the deferral for the revenue requirement associated with these costs until a future rate proceeding where PGE can demonstrate their prudence and appropriately match costs with the benefits customers are receiving from Carty. Additionally, delaying the Commission's review of this Application will recognize PGE's ongoing efforts to seek damages from the Sureties, and allow for PGE to present (and parties to consider) at a later date an updated net revenue requirement (i.e., inclusive of any amounts received from the Sureties).

PGE's capital costs greater than the \$514 million approved in Commission Order No. 15-356 were not only necessary costs to place Carty into service; as mentioned above, the costs were also associated with extraordinary events. The Commission has historically used deferred accounting to address costs that arise from extraordinary events. By authorizing the continuance of PGE's deferral, the Commission would remain consistent in its application of deferred accounting to extraordinary events.

c. Proposed Accounting for recording amounts deferred.

PGE will account for the ongoing depreciation expense related to the incremental capital costs, as well as any related increased costs using the appropriate FERC accounts for such costs.

For example, incremental depreciation expense will be recorded to FERC account 403, Depreciation Expense.

For regulatory accounting purposes, PGE proposes to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 407.4, Regulatory Credits. Under GAAP financial reporting requirements, the amounts reported as being deferred as a regulatory asset will be limited to amounts meeting the requirements of Accounting Standards Codification (ASC) 980 – Regulated Operations.

d. Estimate of Amounts to be recorded for the next 12 months.

PGE estimates the revenue requirement associated with the capital costs in this Application (i.e., amounts associated with capital costs greater than the \$514 million previously estimated in Commission Docket No. UE 294) would total approximately \$15.1 million for the period of July 29, 2016 through July 28, 2017 and \$16.4 million for the period of July 29, 2017 through July 28, 2018, prior to receiving any amounts from the Carty litigation.<sup>1</sup> However, PGE's deferral amount will ultimately depend on the resolution of PGE's claims against the Sureties and any amounts PGE receives as a result of its claims.

e. Notice.

A copy of the notice of application for deferred accounting treatment and a list of persons served with the notice are attached to the Application as Attachment A. In compliance with the provisions of 860-027-0300 (6), PGE is serving the Notice of Application on the UE 319 service list, PGE's current general rate case.

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<sup>1</sup> Revenue requirement associated with these costs consists of depreciation expense, a return on the associated capital costs, utility income taxes, and increases in revenue sensitive costs.

**III. OAR 860-027-0300 (4) Requirements.**

a. Description of deferred account entries

Please see sections II (a) and II (c) above.

b. The reason for continuing the deferred accounting

Please see Section II (b) above.

**IV. Summary of Filing Conditions:**

a. Earnings Review: This deferral is subject to an earnings review pursuant to ORS 757.259(5).

b. Prudence Review: The deferral is subject to a prudence review.

c. Sharing Percents: This deferral is not subject to sharing.

d. Rate Spread / Rate Design: The rate spread/rate design will be consistent with the prevailing rate spread/rate design at the time of amortization.

e. Three Percent Test: The three percent test applies to this deferral account.

**V. PGE Contacts.**

The authorized addresses to receive notices and communications in respect to this Application are:

PGE-OPUC Filings  
Rates & Regulatory Affairs  
Portland General Electric  
121 SW Salmon Street  
1WTC0306  
Portland, Oregon 97204  
Phone: 503.464.8937  
E-mail: [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

Douglas C. Tingey  
Associate General Counsel  
Portland General Electric  
121 SW Salmon Street  
1WTC1301  
Portland, Oregon 97204  
Phone: 503.464.8926  
E-mail: [doug.tingey@pgn.com](mailto:doug.tingey@pgn.com)

In addition to the names and addresses above, the following are to receive notices and communications via the e-mail service list:

Greg Batzler, Regulatory Affairs  
[greg.batzler@pgn.com](mailto:greg.batzler@pgn.com)

VI. **Conclusion.**

For the reasons stated above, PGE requests permission to continue to defer for later ratemaking the revenue requirement associated with the incremental capital costs of Carty for future ratemaking treatment effective July 29, 2017 through July 28, 2018. PGE continues its request to seek a delay of Commission review of this Application until all legal actions, including PGE's claims against the Sureties, are resolved and PGE can identify an updated net revenue requirement (i.e., inclusive of any amounts received from the Sureties).

Dated this 28<sup>th</sup> day of July, 2017.



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Stefan Brown  
Manager, Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon Street, 1WTC0306  
Portland, OR 97204  
Telephone: 503-464-8929  
E-Mail: [stefan.brown@pgn.com](mailto:stefan.brown@pgn.com)



## **Attachment A**

**Notice of Application for Deferral of Incremental  
Revenue Requirement Associated with the  
Carty Generating Station,**

**Or,**

**In the alternative Reauthorization of Deferral  
of Incremental Revenue Requirement  
Associated with the Carty Generating Station,**

**and**

**Delay of Commission Review of PGE's  
Application until Legal Actions are Resolved**

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1791**

**In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Incremental Revenue Requirement Associated with the Carty Generating Station**

**Notice of Application for Deferral of Incremental Revenue Requirement Associated with the Carty Generating Station, or, in the alternative, Reauthorization of Deferral of Incremental Revenue Requirement Associated with the Carty Generating Station, and Delay of Commission Review of PGE's Application until Legal Actions are Resolved**

On July 28, 2017, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) for an Order authorizing the continuance of a deferral of incremental costs associated with the Carty Generating Station. PGE also seeks a delay of Commission review of this Application until all legal actions are resolved.

Approval of PGE's Application will not authorize a change in PGE's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

This Application is on the Commission website. Any person who wishes to submit written comments to the Commission on PGE's Application must do so by August 31, 2017.

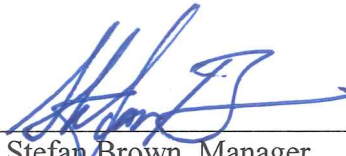
Dated this 28<sup>th</sup> day of July, 2017.

  
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Stefan Brown  
Manager, Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon Street, 1WTC0306  
Portland, OR 97204  
Telephone: 503-464-8929

## Certificate of Service

I hereby certify that I have this day caused the foregoing **Application for Deferral of Incremental Revenue Requirement Associated with the Carty Generating Station, or, in the alternative, Reauthorization of Deferral of Incremental Revenue Requirement Associated with the Carty Generating Station, and Delay of Commission Review of PGE's Application until Legal Actions are Resolved**, to be served by electronic mail to those parties whose e-mail addresses appear on the attached service list for OPUC Docket UE 319.

Dated at Portland, Oregon, this 28<sup>th</sup> day of July, 2017.



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Stefan Brown, Manager  
Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon Street, 1WTC0306  
Portland, OR 97204  
Telephone: 503-464-8929  
E-Mail: [pge.opuc.filings@pge.com](mailto:pge.opuc.filings@pge.com)

**SERVICE LIST**  
**OPUC DOCKET NO. UE 319**  
**[Updated 7/18/17]**

**CALPINE SOLUTIONS**

GREGORY M. ADAMS (C)  
RICHARDSON ADAMS, PLLC

PO BOX 7218  
BOISE ID 83702  
greg@richardsonadams.com

GREG BASS  
CALPINE ENERGY SOLUTIONS, LLC

401 WEST A ST, STE 500  
SAN DIEGO CA 92101  
greg.bass@calpinesolutions.com

KEVIN HIGGINS (C)  
ENERGY STRATEGIES LLC

215 STATE ST - STE 200  
SALT LAKE CITY UT 84111-2322  
khiggins@energystrat.com

**FRED MEYER UE 319**

KURT J BOEHM (C)  
BOEHM KURTZ & LOWRY

36 E SEVENTH ST - STE 1510  
CINCINNATI OH 45202  
kboehm@bklawfirm.com

JODY KYLER COHN  
BOEHM, KURTZ & LOWRY

36 E SEVENTH ST STE 1510  
CINCINNATI OH 45202  
jkyler@bklawfirm.com

**INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES**

MYRALEIGH ALBERTO (C)  
DAVISON VAN CLEVE

333 SW TAYLOR STE 400  
PORTLAND OR 97204  
maa@dvclaw.com

BRADLEY MULLINS (C)  
MOUNTAIN WEST ANALYTICS

333 SW TAYLOR STE 400  
PORTLAND OR 97204  
brmullins@mwanalytics.com

TYLER C PEPPE (C)  
DAVISON VAN CLEVE, PC

333 SW TAYLOR SUITE 400  
PORTLAND OR 97204  
tcp@dvclaw.com

**OREGON CITIZENS UTILITY BOARD**

OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY, STE 400  
PORTLAND OR 97205  
dockets@oregoncub.org

ROBERT JENKS (C)  
OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY, STE 400  
PORTLAND OR 97205  
bob@oregoncub.org

ELIZABETH JONES (C)  
OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY, STE 400  
PORTLAND OR 97206  
liz@oregoncub.org

**PACIFICORP UE 319**

PACIFICORP, DBA PACIFIC POWER

825 NE MULTNOMAH ST, STE 2000  
PORTLAND OR 97232  
oregondockets@pacificorp.com

MATTHEW MCVEE

825 NE MULTNOMAH

PACIFICORP

PORTLAND OR 97232  
matthew.mcvee@pacificorp.com

**PGE UE 319**

STEFAN BROWN (C)  
PORTLAND GENERAL ELECTRIC

121 SW SALMON ST, 1WTC0306  
PORTLAND OR 97204  
stefan.brown@pgn.com

DOUGLAS C TINGEY (C)  
PORTLAND GENERAL ELECTRIC

121 SW SALMON 1WTC1301  
PORTLAND OR 97204  
doug.tingey@pgn.com

JAY TINKER (C)  
PORTLAND GENERAL ELECTRIC

121 SW SALMON ST 1WTC-0306  
PORTLAND OR 97204  
pge.opuc.filings@pgn.com

**SBUA UE 319**

JAMES BIRKELUND (C)  
SMALL BUSINESS UTILITY ADVOCATES

548 MARKET ST STE 11200  
SAN FRANCISCO CA 94104  
james@utilityadvocates.org

DIANE HENKELS (C)  
CLEANTECH LAW PARTNERS PC

420 SW WASHINGTON ST STE 400  
PORTLAND OR 97204  
dhenkels@cleantechlaw.com

**STAFF UE 319**

STEPHANIE S ANDRUS (C)  
PUC STAFF--DEPARTMENT OF JUSTICE

BUSINESS ACTIVITIES SECTION  
1162 COURT ST NE  
SALEM OR 97301-4096  
stephanie.andrus@state.or.us

MARIANNE GARDNER (C)  
PUBLIC UTILITY COMMISSION OF  
OREGON

PO BOX 1088  
SALEM OR 97308-1088  
marianne.gardner@state.or.us

SOMMER MOSER (C)  
PUC STAFF - DEPARTMENT OF JUSTICE

1162 COURT ST NE  
SALEM OR 97301  
sommer.moser@doj.state.or.us

**WALMART UE 323**

VICKI M BALDWIN (C)  
PARSONS BEHLE & LATIMER

201 S MAIN ST STE 1800  
SALT LAKE CITY UT 84111  
vbaldwin@parsonsbehle.com

STEVE W CHRISS (C)  
WAL-MART STORES, INC.

2001 SE 10TH ST  
BENTONVILLE AR 72716-0550  
stephen.chriss@wal-mart.com