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October 25, 2016

## *Via Electronic Filing*

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High St. SE, Suite 100  
Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC CO.,  
Advice No. 16-15: Schedule 146 Colstrip Power Plant Operating Life Adjustment  
**Docket No. ADV 391**

Dear Filing Center:

Please find enclosed the Response of the Industrial Customers of Northwest Utilities in the above-referenced docket.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch  
Jesse O. Gorsuch

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**ADV 391**

In the Matter of	)	
	)	RESPONSE OF THE INDUSTRIAL
PORTLAND GENERAL ELECTRIC	)	CUSTOMERS OF NORTHWEST
COMPANY	)	UTILITIES
	)	
Advice No. 16-15 Schedule 146 Colstrip Power	)	
<u>Plant Operating Life Adjustment</u>	)	

**I. INTRODUCTION**

Pursuant to OAR 860-001-0400, the Industrial Customers of Northwest Utilities (“ICNU”) files this Response to Portland General Electric Company’s (“PGE” or the “Company”) Advice No. 16-15 to establish a new Schedule 146 to capture excess depreciation costs associated with an accelerated depreciation date for the Company’s interest in units 3 and 4 of the Colstrip Generating Station (“Colstrip”).

The Company’s filing constitutes improper single-issue ratemaking that the Oregon Public Utility Commission (“Commission”) has traditionally disfavored. Additionally, the Company does not offer sufficient explanation as to why the Commission should implement Schedule 146 as an automatic adjustment clause (“AAC”). Consequently, ICNU recommends that the Commission reject Advice No. 16-15. Although ICNU recognizes that Senate Bill 1547 requires PGE to adjust its depreciation schedule for Colstrip such that it is fully depreciated on or before December 31, 2030, this legislation does not prescribe the timing or manner of such a filing.<sup>1/</sup> Accordingly, PGE should adjust the depreciation schedule for Colstrip in a general rate

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<sup>1/</sup> SB 1547 § 1(3)

case where all costs and revenues can be reviewed, or as part of the comprehensive depreciation study it has committed to file by December 31, 2018.

## II. BACKGROUND

PGE filed Advice No. 16-15 on October 12, 2016. The filing proposes a new tariff, Schedule 146, to operate as an AAC that will recover the costs associated with accelerating the date the Company's interest in Colstrip must be depreciated out of customers' rates from 2042 to December 31, 2030.<sup>2/</sup> This action is required by Section 1(3) of SB 1547, although the legislation does not specify when or how this updated depreciation schedule should be reflected in rates. The Company states that impact of accelerating the depreciation date is a \$5.6 million increase to rates.<sup>3/</sup> The Company requests an effective date of January 1, 2017.<sup>4/</sup> The Company provides no explanation of why it filed Advice No. 16-15 when it did nor why it requests this effective date, although presumably this is to align the rate increase with the beginning of the calendar year.

The Company also proposes that Schedule 146 operate as an AAC. Again, SB 1547 says nothing about the use of an AAC, and PGE offers no explanation as to why it has proposed such a tariff. It is also unclear from the filing whether the Company plans to maintain Schedule 146 through 2030, allowing it to automatically update costs associated with Colstrip's depreciation revenue requirement for the next 14 years, or whether it plans only to use Schedule 146 until the costs associated with Colstrip's updated depreciation schedule are incorporated into rates in a general rate case. The Company states that it "will update Schedule 146, effective

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<sup>2/</sup> PGE Advice No. 16-15 at 1.

<sup>3/</sup> Id.

<sup>4/</sup> Id.

January 1, 2018 and each year thereafter, to account for updates to the load forecast and decommissioning costs, among other factors.”<sup>5/</sup> This suggests that the Company proposes to continue Schedule 146 in effect until 2030. It also, however, states that the rates collected under Schedule 146 “will be updated annually to reflect the subsequent year’s change in the Colstrip Power Plant depreciation revenue requirement, if PGE has not incorporated the revised depreciable life into base rates in a general rate case or other proceeding,”<sup>6/</sup> suggesting that these costs may eventually be incorporated into general rates.

### III. ARGUMENT

With limited exceptions, the Commission “does not engage in single issue ratemaking.”<sup>7/</sup> This is because single-issue ratemaking “focus[es] on one cost element while ignoring others. Because increases elsewhere may offset decreases, a change to one cost element does not, by itself, automatically require an adjustment to rates.”<sup>8/</sup> The Commission’s overriding obligation is to ensure that rates are fair, just and reasonable,<sup>9/</sup> and this applies to the “total effect of the rate.”<sup>10/</sup>

Thus, while ICNU recognizes that accelerating Colstrip’s depreciation date will increase costs associated with this single element of its revenue requirement, that does not mean that PGE needs a corresponding increase to that revenue requirement in order to earn fair and reasonable rates. This increased cost may be counterbalanced by additional revenues or

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<sup>5/</sup> Id., Attach. A at 1.

<sup>6/</sup> Id., Attach A. at 3.

<sup>7/</sup> City of Portland v. PGE, Docket No. UM 1262, Order No. 06-636 at 7 (Nov. 17, 2006).

<sup>8/</sup> In re PGE Request for a General Rate Revision, Docket Nos. UE 180/UE 184, Order No. 07-454 at 5 (Oct. 22, 2007).

<sup>9/</sup> ORS 756.040

<sup>10/</sup> Fed. Power Comm’n v. Hope Nat. Gas Co., 320 U.S. 591, 602 (1944).

decreased costs in other areas and this can only be evaluated in a general rate case. Moreover, while SB 1547 requires PGE to depreciate its interest in Colstrip out of rates by 2030, the bill also increased the long-term need for resources that are compliant with the renewable portfolio standard (“RPS”). This and other factors could justify increasing the useful lives of such resources, including the Company’s Biglow Canyon wind facility and the Tucannon River Wind Farm, which would counterbalance the rate impact on customers associated with accelerating Colstrip’s depreciable life. Such decisions will be made in the Company’s next depreciation study, which it has committed to file by December 31, 2018.<sup>11/</sup>

Consequently, the Company has not demonstrated that collecting an additional \$5.6 million from customers effective January 1, 2017 will result in fair, just and reasonable rates. The Company either should propose to update Colstrip’s depreciation rate in its next general rate case or in its next depreciation study in 2018 if that proceeding occurs earlier.

The Company also does not adequately explain why Schedule 146 should be implemented as an AAC. It appears to propose a tariff similar to Schedule 145, the Boardman Power Plant Operating Life Adjustment Tariff (“Boardman Tariff”), which is an AAC tariff that collects Boardman’s depreciation and related costs through 2020.<sup>12/</sup> Notably, however, that tariff was proposed in PGE’s 2010 general rate case, not as a stand-alone filing as the Company proposes with Schedule 146.<sup>13/</sup> Moreover, one of the reasons the Boardman Tariff was proposed as an AAC was because PGE did not know at the time it filed its 2010 rate case whether the Commission would authorize a shortened depreciable life for Boardman in the Company’s

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<sup>11/</sup> Docket No. UM 1679, Order No. 14-297 at 2 (Sept. 2, 2014).

<sup>12/</sup> PGE Advice No. 16-15, Attach. A at 3.

<sup>13/</sup> Docket No. UE 215, Order No. 10-478 at 4 (Dec. 17, 2010).

concurrent integrated resource plan proceeding.<sup>14/</sup> Thus, in the rate case, PGE assumed the then-existing depreciable life for Boardman through 2040, but proposed the Boardman Tariff “to allow the Commission to authorize changes in prices to reflect the incremental revenue requirement impact of a shortened Boardman operating life.”<sup>15/</sup> Conversely, there is no question that Colstrip’s depreciable life must be adjusted to 2030 at some point. Thus, there does not appear to be the same basis for establishing Schedule 146 as an AAC.

The Commission should approve AACs sparingly. Rates under an AAC can be adjusted without a hearing,<sup>16/</sup> and are not subject to an earnings test upon amortization of any deferred amounts.<sup>17/</sup> Consequently, a utility should clearly and convincingly demonstrate that an AAC benefits customers relative to a tariff that is not an AAC or is otherwise necessary or warranted. PGE has not made such a demonstration in its advice filing. Indeed, many AACs the Commission has approved are statutorily required.<sup>18/</sup> The fact that SB 1547 did not require an AAC to capture Colstrip’s incremental depreciation costs suggests that an AAC should not be approved. Moreover, the Company does not discuss at all why it would not be possible and appropriate to include the costs of the accelerated depreciation date for Colstrip in general rates rather than recovering them through a separate tariff. The Company’s proposed Schedule 146

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<sup>14/</sup> Docket No. UE 215, PGE/300 at 26:3-11.

<sup>15/</sup> Id. at 26:17-19.

<sup>16/</sup> ORS 757.210(1)(a).

<sup>17/</sup> Id. 757.259(5).

<sup>18/</sup> Docket No. UM 1482, Order No. 11-281 (authorizing deferred accounting and an AAC for PGE’s Photovoltaic Volumetric Incentive Rate Pilot Program, which was authorized by ORS 757.370(5) (since repealed by Section 23 of SB 1547)); Docket No. UE 288, Order No. 15-129 (noting PGE’s Renewable Resource Adjustment Clause, an AAC created pursuant to ORS 469A.120(2)); see also, former Senate Bill 408, which established an automatic adjustment clause for differences between income taxes collected in rates and those paid to governmental authorities.

singles out one component of its overall costs for special treatment, which can then be adjusted automatically, without providing any legal or policy justification for such treatment.

#### **IV. CONCLUSION**

ICNU recommends that the Commission reject PGE's Advice Filing 16-15. Made in isolation, this filing constitutes single-issue ratemaking. The Commission should require the Company to adjust Colstrip's depreciable life either in its next general rate case or in its next full depreciation study, whichever comes first. Additionally, if PGE continues to propose treating Schedule 146 as an AAC, it should demonstrate why such treatment is warranted and is in the best interest of customers.

Dated this 25th day of October, 2016.

Respectfully submitted,

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