



Portland General Electric
121 SW Salmon Street · Portland, Ore. 97204

October 30, 2019

via E-Mail
puc.filingcenter@state.or.us

Public Utility Commission of Oregon
201 High St. SE, Suite 100
PO Box 1088
Salem, OR 97308-1088

Attention: OPUC Filing Center:

RE: UM 1915 - PGE's Application for Reauthorization of Deferral of Major Maintenance Expenses

Enclosed for filing is Portland General Electric Company's (PGE) Application for Reauthorization of the Deferral of Major Maintenance Expenses. PGE received authorization pursuant to OPUC Order No. 19-044.

A Notice regarding the filing has been provided electronically to the parties on the UE 335 and UM 1915 service lists.

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

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at 503-464-7805. Please direct all formal correspondence, questions, or requests to pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in blue ink that reads "Jay Tinker". The signature is written in a cursive, flowing style.

Jay Tinker

JT/lh

encls.

cc: Service Lists: UM 1915 and UE 335

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1915

In the Matter of the Application of Portland) Application for Reauthorization of the
General Electric Company for an Order) Deferral of Major Maintenance Expenses
Approving the Deferral of Major Maintenance)
Expenses)

Pursuant to ORS 757.259 and OAR 860-027-0300, and Public Utility Commission of Oregon (“Commission” or “OPUC”) Order Nos. 18-157 and 19-044, Portland General Electric Company (“PGE”) hereby requests reauthorization to defer certain costs associated with its Major Maintenance Accruals (“MMAs”). PGE requests this reauthorization of deferral begin effective January 1, 2020 and be subject to annual renewals beginning January 1, 2021.

I. Deferral History

Pursuant to Commission Order 17-511, PGE filed on December 22, 2017, an application for authorization to defer certain costs associated with PGE’s MMAs for five thermal generating plants.¹ Commission Order 18-157 approved PGE’s application for the 12-month period beginning January 1, 2018 and approved reauthorization through Commission Order 19-044.

Approval of this reauthorization application will permit PGE to continue using the MMA balancing account mechanism as intended. In accordance with prior Commission Orders approving MMA accounting treatment, the balance of the MMA balancing account, either positive or negative (i.e., debit or credit), will be rolled forward into the calculation of future accruals. Section “II b.”, below provides further details regarding PGE’s MMA calculation and amortization. PGE will not seek

¹ Coyote Springs 1, Port Westward 1, Port Westward 2, Carty, and Colstrip units 3 & 4.

amortization of the MMA-related deferred amounts in a future proceeding as the deferred amounts will automatically reverse due to the standard operation of the MMAs.

In prior filings² PGE proposed, and the Commission approved the MMA accounting treatment as a way of normalizing the volatility of its thermal plants' major maintenance expenses. Major maintenance costs can vary dramatically from year to year and, absent an MMA, PGE would expense the major maintenance costs in the period the work is performed. Accounting for costs in this manner would have two significant disadvantages: 1) it would not allow the recording of expense in the same period that benefits³ occur; and 2) it would reflect expenses that are cyclical and "lumpy" in only certain years. Under this method, it would be problematic to establish stable prices.

To avoid these problems, the Commission approved PGE's accounting treatment of MMAs. The MMA is a combination of an accrual and a balancing account wherein PGE develops a forecast of expected expenses related to its generating plants maintenance contracts (i.e., Long-term Service Agreements) and other major maintenance or inspections over a five-year rolling period and establishes an accrual amount that levelizes those costs. Expenses, when incurred, are then booked to the MMA balancing account, offsetting the amounts collected under the annual accrual. This process ultimately results in an expected account balance of zero by the end of the five-year rolling period. In the next forecast of expected expenses, the current balance of the MMA balancing account is rolled forward into the calculation of the proposed accrual. By balancing the costs and collections, PGE achieves an appropriate matching of costs to both the period and customers benefitted. The accrual also results in more stable prices that normalize the swings in major maintenance costs.

² Order No. 95-1216 approved an MMA for Coyote Springs. Subsequent Commission orders approving MMAs include: Port Westward 1 (UE 262, OPUC Order No. 13-459), Port Westward 2 (UE 283, OPUC Order No. 14-422), Carty (UE 294, OPUC Order No. 15-356), and Colstrip (UE 319, OPUC Order No. 17-511).

³ The benefits are the generation and use of electricity by customers.

Major maintenance events occur based upon maintenance intervals established under PGE's plant maintenance contracts. Generally, the timing is dependent upon a facility's capacity factor (hours run / hours in period). Listed below are examples of gas-fired generating plants' major maintenance items:

- Major Turbine and Generator Inspections to perform advanced assessments along with related work that may include combustion turbine alignment; exhaust frame modifications; and repairs to thrust bearings, the generator stator and the generator field.
- Hot Gas Path Inspection including the disassembly of combustion and turbine sections of the combustion turbine so that parts may be inspected and repaired or replaced as necessary. The combustion section is where the natural gas is combined with compressed air and burned. The turbine section is where mechanical energy is extracted from the high speed flow of hot combustion gases exiting the combustion chambers.
 - Selective Catalytic Reduction Catalyst Replacements.
 - Auxiliary Boiler Maintenance.

With one exception (i.e., Colstrip), PGE calculates the MMAs by forecasting five years of the expected operational run of our thermal plants using the MONET⁴ model and, based on hours of plant operation, we forecast the timing for the major maintenance activities. The total maintenance costs over the five-year period are averaged to derive the annual major maintenance accrual amount. The Colstrip MMA is calculated using a three-year moving average.

II. OAR 860-027-0300 Requirements

The following is required pursuant to OAR 860-027-0300(3):

- a. Description of Utility Expense for Which the Deferred Accounting is Requested.

⁴ See Docket No. UE 335, PGE Exhibit 300, Section II, pages 4 to 6 for a detailed description of the MONET Model.

See Deferral History above. For the 12-month period of January 1, 2020 through December 31, 2020 PGE seeks reauthorization to continue to defer costs associated with PGE's MMAs for five thermal generating plants pursuant to Commission Order No. 19-044 as described above. Without reauthorization this deferral will expire on December 31, 2019.

b. Reasons for Deferral.

Pursuant to ORS 757.259(2)(e), and for the reasons discussed above, PGE seeks deferred accounting treatment for the major maintenance expenses in excess of the amounts already collected in rates beginning January 1, 2020 and through December 31, 2020. The continuation of the deferral will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. Approving the Application will not authorize a change in rates but will permit PGE to continue using MMA accounting treatment as intended and approved through prior Commission Orders.

PGE expects any deferred amount to be recovered or refunded in a manner approved by the Commission.

c. Proposed Accounting for Recording Amounts Deferred.

PGE proposes to defer expenses in excess of the MMA amount collected in rates by crediting expense Account 553 (Maintenance of Generating and Electric Equipment – Port Westward, PW2, Carty, and Coyote Springs); or expense Account 513 (Maintenance of Electric Plant – Colstrip) for the excess and debiting FERC Account 182.3 (Other Regulatory Assets). Revenues collected in excess of incurred major maintenance expenditures will be deferred by debiting FERC Account 456 (Other Electric Revenues), and crediting FERC Account 254 (Other Regulatory Liabilities).

In the absence of a deferred accounting order from the Commission, PGE would record the expenses and revenues associated with the deferred accounts in the accounts in which they were incurred, that is expense Account 553 (Maintenance of Generating and Electric Equipment – Port Westward, PW2, Carty, and Coyote Springs), and expense Account 513 (Maintenance of Electric Plant – Colstrip).

d. Estimate of Amounts to be Recorded for the Next 12 months.

PGE does not have an estimate of the amounts to be deferred because they occur infrequently and can vary from plant to plant depending on 1) the level of major maintenance expenses when incurred; and 2) the accuracy of the projections for determining the annual accrual. As stated above, PGE will not seek amortization of this MMA deferral.

e. Notice.

A copy of the notice of application for reauthorization of deferred accounting treatment and a list of persons served with Notice are attached to the application as Attachment A. In compliance with the provisions of 860-027-0300(6), PGE is serving Notice of Application on the UE 335 Service List, PGE's last general rate case.

III. The following is provided pursuant to OAR 860-027-0300(4):

a. Description of Deferred Account Entries.

Please see Deferral History and Section II (a) and II (c) above.

b. The Reason for Continuing Deferred Accounting.

PGE seeks to continue to defer the accounting treatment for the major maintenance expenses in excess of the amounts already collected in rates beginning January 1, 2020 through December 31, 2020. Without reauthorization this deferral will expire December 31, 2019.

IV. PGE Contacts

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

Douglas C. Tingey
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PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric
1 WTC 0306
121 SW Salmon Street
Portland, OR 97204
Phone: 503.464.7002
E-mail: pge.opuc.filings@pgn.com

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

Stefan Cristea, Senior Regulatory Analyst
E-mail: stefan.cristea@pgn.com

V. Summary of Filing Conditions

a. Earnings Review

No earnings review is applicable because the costs associated with the major maintenance accruals are already included in base rates. In addition, PGE will not seek separate amortization of the deferred amounts in a future proceeding because both the revenues and associated costs will flow through the MMA.

b. Prudence Review

A prudence review should be performed by the Commission Staff as part of their review of PGE's general rate case filings.

c. Sharing

All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.

d. Rate Spread/Rate Design

MMA-related costs will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a cents-per-kWh basis.

e. Three percent test (ORS 757.259(6))

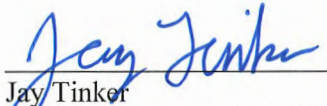
The three percent test would not apply because PGE will not seek amortization of the deferred amounts in a future proceeding.

VI. Conclusion

For the reasons stated above, PGE requests permission to continue to defer the major maintenance expenses in excess of the amounts collected in rates such that these amounts can be rolled forward into the calculation of the MMAs adopted through Commission Order 19-044.

DATED this 30th day of October 2019.

Respectfully Submitted,



Jay Tinker
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UM 1915
Attachment A

**Notice of Application for Reauthorization of Deferral
of Major Maintenance Expenses**

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1915

In the Matter of the Application of Portland) **Notice of Application for Reauthorization**
General Electric Company for an Order) **of Deferral of Major Maintenance Expenses**
Approving the Deferral of Major Maintenance)
Expenses)

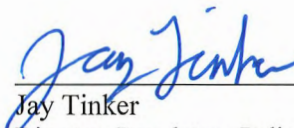
On October 30, 2019 Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) for an Order reauthorizing deferral of major maintenance expenses in excess of major maintenance amounts already collected in rates.

Approval of PGE's Application will not authorize a change in PGE's rates, but will permit PGE to continue the Major Maintenance Accrual accounting treatment as approved through prior Commission Orders.

Persons who wish to obtain a copy of PGE's application will be able to access it on the Public Utility Commission of Oregon website.

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than November 30, 2019.

Dated this 30th day of October 2019.




Jay Tinker
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UM 1915
CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Notice of Reauthorization of Application of Deferral of Major Maintenance Expenses** associated with PGE's generation plants to be served by electronic mail to those persons whose email addresses appear on the attached service list for OPUC Dockets UE 335 and UM 1915

Dated at Portland, Oregon, this 30th day of October 2019.



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