

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 12, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2024

DATE: November 22, 2023

TO: Public Utility Commission

FROM: Ming Peng

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1550/Advice No. 23-22)
Schedule 146, Colstrip Power Plant Operating Life Adjustment.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) Advice No. 23-22, as supplemented, which updates Schedule 146 with the isolated Colstrip updated revenue requirement for 2024, effective with service on and after January 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PGE's Advice No. 23-22, which updates Schedule 146 with the isolated Colstrip updated revenue requirement for 2024.

Applicable Law

Tariff changes must be filed with the Commission per ORS 757.205. The Commission may approve tariff changes if they are deemed fair, just, and reasonable.

ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025.

OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and

the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. See ORS 757.220; OAR 860-022-0020.

Analysis

Background

On October 31, 2023, PGE filed Advice No. 23-22 requesting an update to Schedule 146, which contains its Colstrip Power Plant operating life adjustment. Colstrip is a coal-fired power plant located near Colstrip, Montana. Colstrip Units 3 and 4 produce 740 MW each and 1480 MW total. They came online in 1986. PGE has a 20 percent interest in both Units 3 and 4. The other owners of Units 3 and 4 are Puget Sound Energy, Talen Energy, PacifiCorp, and NorthWestern Energy.

Commission Order No. 22-129 in Docket No. UE 394 adopted the stipulated agreement providing for PGE to annually calculate and update an isolated revenue requirement reflecting the subsequent year's change in the Colstrip Power Plant Unit 3 and Unit 4 costs. This followed the change in Colstrip's depreciable life from year-end 2030 to year-end 2025, as established and approved in Order No. 21-463, Docket No. UM 2152, PGE's 2021 depreciation study. The initial Schedule 146 to recover the isolated Colstrip revenue requirement was approved in PGE's compliance filing for UE 394 in June 2022.

On November 20, 2023, PGE submitted a Supplemental Filing to update the energy prices used for allocation purposes consistent with the final UE 416 prices, to update the balancing account with October actuals, and to restructure Schedule 90 pricing so there is one price for both 30-250 MWa customers and over 250 MWa customers. PGE initially filed Advice No. 23-22 on October 31, 2023, with a requested effective date of January 1, 2024, which remains as filed.

This schedule establishes the mechanism to implement in rates the Company's share of the full revenue requirement for the Colstrip Power Plant Units 3 and 4 and associated common facilities. This schedule is implemented as an "automatic adjustment clause" as defined in ORS 757.210. The schedule reflects updated rate base amounts as well.

PGE states that the isolated Colstrip revenue requirement for 2024 is \$71.0 million, consisting of 2024 forecasted operations and maintenance costs, plant amounts as of

December 31, 2023, and all associated costs. Schedule 146 is comprised of three components: decommissioning amounts, depreciation amounts, and remaining amounts. For decommissioning-related amounts only, PGE maintains a balancing account to track and reconcile actual revenues to the revenue requirement for Part A. For 2024, actual revenues are expected to be approximately \$59 thousand less than the Part A revenue requirement. Adding this balance to the 2024 revenue requirement yields a total requirement of \$71.1 million. This amount will be recovered by all PGE Customers except long-term opt out Customers.

PGE estimates that approximately 940,000 Cost of Service (COS) Customers will be impacted by this overall \$3.3 million, or 0.1 percent, increase in total COS revenues. A typical Schedule 7 customer consuming 795 kWh monthly will see a bill increase of \$0.08 or 0.1% inclusive of the Public Purpose Charge.

Staff Analysis

Staff has reviewed the Company's initial and supplemental filings and associated workpapers. Staff verified the decommissioning amounts, depreciation amounts, remaining amounts of PGE share (20 percent), calculation of Schedule 146 Prices, 2024 Sch 146 - Colstrip Utility Plant/Reserve Unbundling (Steam & General Plant Only), Sum of Life Depreciation, Sum of Cost of Removal Depreciation, Sum of Total Depreciation, and the authorized depreciation rates from Order No. 21-463. Staff also reviewed the Schedule 146, 2024 Colstrip Decommissioning Amounts (Part A) Adjustment, and 2024 Colstrip Isolated Revenue Requirement. In accordance with UM 2152, the end-of-life date for Colstrip is December 2025, so the depreciation parameters are designed to fully runout depreciation expense to that date in a straight-line manner. While Staff recommended in UE 416 that the rate base used in rates should reflect the value on average over the period rates are in effect, Staff finds the rate base calculation consistent with current Commission practice of using beginning period value.

Staff finds that the tariff update for Schedule 146 has complied with Commission orders. The depreciation parameters used in the calculation comply with Order No. 21-463 and UM 2152, and the total depreciation and decommissioning expenses are consistent with the amounts approved in UE 394. Further, Staff found the calculated update for the balancing account, isolated Colstrip revenue requirement, rate design workpapers, and proposed tariff sheets are reasonable.

Conclusion

Staff finds PGE's Advice No. 23-22 filing reasonable based on Staff's review and analysis of the isolated Colstrip revenue requirement, Schedule 146 price development, updated tariff sheets, and bill comparisons. Staff recommends that the Commission approve the

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Company's Advice No. 23-22, which updates Schedule 146 with the isolated Colstrip updated revenue requirement for 2024. For a typical residential customer, the bill impact assuming usage of 795 kWh a month, results in a change in total bill increase of \$0.08.

The Company has reviewed a draft of this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve PGE's Advice No. 23-22, and Supplemental filing, which updates Schedule 146 with the isolated Colstrip updated revenue requirement for 2024, effective with service on and after January 1, 2024.