



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

July 15, 2016

***Email / Courier***

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

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

**Attention: Filing Center**

**Re: UM 1789 – Application for Deferral of revenues and costs related to the Environmental Remediation Costs Recovery Adjustment, Schedule 149.**

Enclosed is a signed Application of Portland General Electric Company (PGE) for Deferred Accounting Treatment of revenues and costs related to the Environmental Remediation Costs Recovery Adjustment, Schedule 149.

A Notice of Application for Deferral of Environmental Remediation Costs related to the Environmental Remediation Costs Recovery Adjustment, Schedule 149 has been forwarded to the UE 294 service list.

Concurrent with this filing, PGE is also filing Advice No. 16-11, Schedule 149, Environmental Remediation Cost Recovery Adjustment, Direct Testimony and Exhibits of Arya Behbehani, Stefan Brown, and Kirk Stevens, and a request for authorization to engage in a property sale as part. Although filed separately, the three filings are interrelated. PGE proposes that this Advice Filing, the Application for Deferral and the Application for Property Sale be consolidated. Direct Testimony Confidential Exhibits will be provided upon approval and issuance of the Protective Order.

Thank you for your assistance in this matter. If you have any questions or require further information, please contact me at (503) 464-8937. Please direct all formal correspondence, questions or requests to the following e-mail address: [pge.opuc.filing@pgn.com](mailto:pge.opuc.filing@pgn.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan Brown", is written over the typed name.

Stefan Brown, Manager

SB/sp

Enclosure

y:\ratecase\opuc\dockets\property\up-xxx portland harbor (2016)\portland harbor files\um-xxxx (portland harbor deferral) cvrltr\_7.15.16.

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1789**

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of revenues and costs related to the Environmental Remediation Costs Recovery Adjustment, Schedule 149.	) <b>Application for Deferral of revenues and costs related to the Environmental Remediation Costs Recovery Adjustment, Schedule 149.</b>
	)
	)

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company (“PGE”) hereby requests authorization to defer for later rate-making treatment certain expenses associated with the Portland Harbor construction, environmental permitting and design, and legal expenses caused by pursuing historical insurers. This deferral filing is one of three PGE filings regarding Portland Harbor. The other two filings are: (1) tariff (Schedule 149), Portland Harbor Environmental Remediation Cost Recovery Adjustment; and (2) a property sale filing that requests authorization to place a deed restriction on the land for the Harborton Restoration Project and to sell Discount Service Acre Years (DSAYs)<sup>1</sup> credits that PGE expects to receive. In particular, this deferral is to support Schedule 149 and its automatic adjustment clause and accounting, included as Special Conditions in the tariff.

PGE may seek amortization of the deferred amount in a future Commission proceeding as described in Schedule 149. In support of this application, PGE states:

1. PGE is a public utility in the state of Oregon and its rates, services and accounting practices are subject to the regulation of the Oregon Public Utility Commission (“Commission”).

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<sup>1</sup> DSAYs are a measure of damages or mitigation/restoration to natural resources under NRD. PGE’s obligation to compensate for environmental damages under Natural Resource Damage (NRD) will be expressed in DSAY debits. Similarly, the Harborton Restoration Project will receive DSAY credits by mitigating the natural resource damages and enhancing the natural resource environment.

2. This application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.
3. Communications regarding this Application should be addressed to:

Jay Tinker  
Rates & Regulatory Affairs  
Portland General Electric,  
1 WTC 0306  
121 SW Salmon Street Portland,  
Oregon 97204  
Phone: 503.464.7002  
E-mail: [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

Douglas C. Tingey  
Assistant General Counsel  
Portland General Electric,  
1 WTC 1301  
121 SW Salmon Street  
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:

Stefan Brown, Manager, Regulatory Affairs  
E-mail: [Stefan.Brown@pgn.com](mailto:Stefan.Brown@pgn.com)

#### **I. OAR 860-027-0300(3) Requirements**

The following is provided pursuant to OAR 860-027-0300(3).

##### **A. Background**

PGE has been and will continue to be required to perform significant environmental cleanup, remediation and restoration efforts along the Willamette River, specifically regarding Portland Harbor, Downtown Reach, and the Natural Resource Damage obligation (NRD). The history of the Portland Harbor Superfund is discussed in PGE's Schedule 149 filing.

As of May 31, 2016, PGE has spent approximately \$2.2 million on design and permitting work to develop the Harborton site<sup>2</sup>. During the remainder of 2016, PGE expects to finalize all design, engineering and permitting plans, sign the final agreement, complete initial Discount Service Acre Year (DSAY) credit marketing, and prepare the site for construction work.

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<sup>2</sup> This work has been capitalized to FERC Account 107 – Construction Work In-Progress.

## **B. Reasons for Deferral**

PGE seeks this deferral pursuant to ORS 757.259(2)(e). PGE also seeks this deferral because of requirements by EPA and Oregon DEQ to clean and remediate the consequences of released environmental contaminants. Although PGE has already incurred some costs to comply with regulatory requirements, we expect to incur additional costs and therefore request deferred accounting to track these costs for later prudency review and potential inclusion in rates, as specified in Schedule 149. These costs shall include, but are not necessarily limited to, remediation of the Portland Harbor Superfund site including PGE's NRD obligations, the Downtown Reach, all costs associated with pursuing insurance recoveries, and costs of developing the Harborton Restoration Project (including ongoing monitoring, maintenance, and interest).

The granting of this application will minimize the frequency of rate changes and match more appropriately the costs borne by and benefits received by customers. Approving this deferral application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding or through the Company's proposed Portland Harbor Environmental Remediation Balancing Account (PHERA) in Schedule 149, subject to prudency review and an earnings test.

## **C. Proposed accounting for recording amounts deferred.**

For environmental remediation related to the Portland Harbor and the Downtown Reach, sites to which hazardous material may have migrated, NRD costs, and other administrative and legal costs, PGE proposes to accrue estimates of the related environmental costs to a separate liability account within FERC Account 253.XXX Other Deferred Credits, for each liability in accordance with ASC 410-30, Environmental Obligations. The proposed balance sheet accounts are:

- 253.XXX Other Deferred Credits – Portland Harbor Environmental Obligation
- 253.XXX Other Deferred Credits – Natural Resource Damages
- 253.XXX Other Deferred Credits – Environmental Administrative and Legal Costs

As the related amounts are accrued or incurred they will be deferred into the following regulatory asset accounts on the balance sheet:

- 182.3XX Other Regulatory Assets – Portland Harbor Environmental Costs
- 182.3XX Other Regulatory Assets – Natural Resource Damages
- 182.3XX Other Regulatory Assets – Environmental Administrative and Legal Costs

Without deferral approval, PGE would record the offset amounts (debit amounts) in the subaccounts of FERC account 401 (Utility Operation Expense).

As it relates to amounts incurred in conjunction with Harborton site restoration for the creation of DSAY credits, PGE requests to defer such capital and on-going O&M costs into the sub accounts of 182.3 (Other Regulatory Assets – DSAY Inventory). In the absence of regulatory accounting, these amounts would be recorded in balance sheet subaccount 156 (Other Materials & Supplies Inventory – DSAYs).

Proceeds from the sale of DSAYs and insurance recoveries will be recorded within the subaccounts of 182.3 (Other Regulatory Asset/Liability – Environmental Balancing) for the purpose of offsetting deferred environmental costs and recovery through the PHERA. In the absence of regulatory accounting treatment, these amounts would be recorded in subaccount 457 (Miscellaneous Revenue).

**D. Estimate of annual amounts subject to this deferral.**

PGE has prepared preliminary estimates through 2028 of the amounts subject to the deferral. These estimates are provided in Confidential Attachment A.

## **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 B.

## **II. Summary of Filing Conditions<sup>3</sup>:**

### **A. Prudence Review:**

The Commission will evaluate the costs and revenues deferred during the calendar year according to the process described in Schedule 149. This process requires PGE to file a report by March 15 and PGE requests that the Commission make a prudence determination within 120 days.

### **B. Earnings Review:**

Pursuant to the proposed PHERA recovery mechanism in Schedule 149, after a determination of the eligible annual environmental remediation costs, PGE would first offset these costs by the amount collected in retail rates. If the annual costs are less than the sum of the following: amount collected in rates, the allocated insurance and DSAY revenues for the year, and accumulated interest; then the excess amount is rolled forward and added to the next year PHERA beginning balance.

If annual prudently incurred remediation costs for the year are higher than available revenues, credits and offsets, then the excess costs would be subject to an earnings review. However, the first \$6.5 million in annual costs plus capital costs to develop the Harborton Restoration Project are not subject to the earnings review. See Schedule 149 for a description of the credits and offsets. Earnings above PGE's Authorized ROE would be used to offset that year's remediation costs. If the earnings above PGE's Authorized ROE are insufficient to cover the remediation costs, then the remaining annual balance could be amortized over five years at the request of PGE. The Earnings Review would occur after the PCAM Earnings Review.

### **C. Sharing Percentages:**

No sharing mechanism beyond the scope of the earnings review is necessary.

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<sup>3</sup> Per Agreement with OPUC Staff on January 24, 2012

**D. Rate Spread / Rate Design:**

As specified in Schedule 149, applicable costs will be functionalized to distribution, generation and transmission based on the preponderance of the provided historical function. The amortization balance will be allocated to each rate as functionalized. Long-Term Direct Access customers will be priced at Cost-of-Service for purposes of allocating costs.

**E. Three Percent Test:**

The three percent test measures the annual overall average impact on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. ORS 757.259(8) allows the Commission to consider up to a six percent limit. The limit of these deferrals if any will be determined at the time of amortization. PGE has filed for an automatic adjustment clause in its Schedule 149 filing and should the PHERA mechanism be approved, then the three-percent test would not apply.

**III. Conclusion**

For the reasons stated above, PGE requests permission to defer certain expenses associated with environmental remediation as described herein from the date of this Application.

DATED this 15<sup>th</sup> day of July, 2016.



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**Attachment A**  
**Confidential**



**Attachment B**

**Notice of Application for Deferred Accounting of  
Environmental Remediation Costs related to the Portland Harbor Superfund  
site (Portland Harbor), the Natural Resource Damage obligation, the  
Downtown Reach portions of the Willamette River, and the Harborton  
Restoration Project (Harborton)**

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
UM 1789**

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Environmental Remediation Costs related to the Portland Harbor Superfund site (Portland Harbor), the Natural Resource Damage obligation, the Downtown Reach portions of the Willamette River, and the Harborton Restoration Project (Harborton)

Notice of Application for Deferral of Environmental Remediation Costs related to the Portland Harbor Superfund site (Portland Harbor), the Natural Resource Damage obligation, the Downtown Reach portions of the Willamette River, and the Harborton Restoration Project (Harborton)

On July 15, 2016, Portland General Electric Company (“PGE”) filed an application with the Public Utility Commission of Oregon ( “Commission” or “OPUC”) for an Order authorizing deferral of environmental remediation costs related to the Portland Harbor Superfund site (Portland Harbor), the Natural Resource Damage obligation, the Downtown Reach portions of the Willamette River, and the Harborton Restoration Project (Harborton).

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

Any person who wishes to submit written comments to the Commission on PGE’s application must do so no later than August 17, 2016.

Dated: July 15, 2016



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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused the **Application for Deferral of Portland Harbor Remediation Costs** to be served by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 294.

DATED at Portland, Oregon, this 15<sup>th</sup> day of July 2016.



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**SERVICE LIST**  
**OPUC DOCKET NO. UE 294**

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