

July 22, 2015

Statement by Ming Peng, Senior Economist with the Public Utility Commission of Oregon

Your Honor, Ming Peng, PUC staff. I will present a brief description of the proposed rule and the process, and I am happy to answer any questions you may have.

The proposed rule requires each energy utility to file a depreciation study no less often than once every five years. The Commission has the authority to adopt the proposed rule under ORS 757.140.

Reason and description:

Depreciation means the loss in service value not restored by current maintenance. “Depreciation has a profound effect on the revenue requirement of a utility, and for many utilities, depreciation expense represents a large percentage of total operating expenses.”(NARUC)

The Commission is empowered to ascertain and determine the proper and adequate rates of depreciation of the Company's property used in the electricity and natural gas service under the provisions of ORS 757.140. “Each utility under the Commission's jurisdiction is required to conform its depreciation accounts to the rates so ascertained and determined by the Commission. The Commission may make changes in such rates of depreciation from time to time as the Commission may find necessary.”

There are six energy utility companies under the Commission’s regulatory jurisdiction. Currently, an energy utility periodically performs its depreciation study and requests modifications to its depreciation rates. But not every company files its depreciation study within five years, some have taken much longer time than five years to submit its depreciation study filing.

Nationwide, regulated utility depreciation filing is about every 3-5 years. For a variety of reasons, including asset age, assets prices, new environmental regulations, increasing capacity of renewables and low demand growth, significant generation capacity was retired in recent years and more retirements are expected. Staff therefore believes that energy utilities should conduct their depreciation studies no less frequently than once every five years.

Thank you and I will gladly respond to any questions you may have.