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July 11, 2018

Email / US Mail

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Public Utility Commission of Oregon

Attn: Filing Center

201 High St. SE, Suite 100

P. O. Box 1088

Salem, OR 97308-1088

Re: UM-1789 PGE's Application for Reauthorization of Deferral of Revenues and Costs Related to the Portland Harbor Environmental Remediation Account, Schedule 149

Enclosed for filing is Portland General Electric Company's (PGE) Application for Reauthorization of Deferral Revenues and Costs Related to the Portland Harbor Environmental Remediation Account, Schedule 149, with an effective date of July 15, 2018.

PGE received authorization to defer revenues and expenses through OPUC Order No. 17-071, and reauthorization approval through Commission Order No. 17-393. A notice regarding this reauthorization application has been provided to the parties on the UM 1789 and UE 335 service lists.

If you have any questions or require further information, please call me at 503-464-7805. Please direct all formal correspondence and requests to the following e-mail address: pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan Brown", is written over a light blue rectangular background.

Stefan Brown
Manager, Regulatory Affairs

SB:np

encls.

cc: Service Lists: UE 335 and UM 1789

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1789

In the Matter of the Application of Portland General Electric Company for an Application to Deferral of Revenues and Costs Related to the Portland Harbor Environmental Remediation Account, Schedule 149

Application for Reauthorization of Deferral of Revenues and Costs Related to the Portland Harbor Environmental Remediation Account, Schedule 149

Pursuant to ORS 757.210, ORS 757.259, and 860-027-0300, and Commission Order No. 17-393, Portland General Electric Company (PGE) hereby requests reauthorization to defer for later rate-making treatment certain revenues and costs associated with environmental remediation activities in connection with Portland Harbor and Downtown Reach sites and the Harborton Restoration Project including construction, environmental permitting and design, legal expenses caused by pursuing historical insurers, Discounted Service Acre Year (DSAY) revenues¹, insurance proceeds, and Schedule 149 tariff revenues. PGE requests this reauthorization commence effective July 15, 2018 through July 14, 2019. PGE will seek amortization of the deferred amounts in a future Commission proceeding.

I. Deferral History

PGE anticipated it will be assessed liability for parcels along or within the Willamette River area in two ways: 1) environmental remediation damages to fund the cleanup required by the U.S. Environmental Protection Agency (EPA), for contaminated sites, and (2) natural resource damages (NRDs), assessed by the Portland Harbor Natural Resource Trustee Council, to compensate for injury to fish, wildlife, and other natural resources. In addition, PGE is liable

¹DSAY debits represent a Potential Responsible Party's obligation to compensate for injury to natural resources and DSAY credits are generated by a project that restores natural resources to original condition and can be used to offset a party's Natural Resource Damage obligation.

for cleanup of two sites in Downtown Reach (river miles 13.1 and 13.5 areas) under the jurisdiction of the Oregon Department of Environmental Quality (DEQ) and expects restoration expenses from July 15, 2018 through July 14, 2019 for the river mile 13.1 area. PGE anticipates the remediation and maintenance costs related to its EPA liability may continue for ten to thirty years, once cleanup efforts commence and expects the NRD liability assessment to be completed in late 2018 or spring of 2019. NRDs, measured in DSAY debts and credits, are assessed for injury and restoration of damages to natural resources.

PGE has, to date, identified its domestic insurers that are still solvent and is currently negotiating with law firms for legal representation in connection with PGE's efforts to recover insurance proceeds for its Portland Harbor EPA and NRD liability assessment. PGE also anticipates recovering some of the Downtown Reach remediation costs from insurers.

On July 15, 2016, PGE made three filings accompanied by testimony and exhibits. The Commission consolidated the dockets as follows:

1) UP 344 – a request for authorization to restore and enhance a parcel within Portland Harbor and to monetize the resulting environmental credits for the benefit of ratepayers involving a request to place a deed restriction on approximately 62 acres of utility property, and to sell the DSAY credits generated from the project;

2) UE 311 – PGE's proposal for a new environmental rate schedule (Schedule 149) with an automatic adjustment clause.² PGE has begun tracking expenditures and revenues associated with environmental remediation of Portland Harbor and Downtown Reach and the

² ORS 757.210(l)(b) defines "automatic adjustment clause" as a provision of a rate schedule that provides for rate increases or decreases without prior hearing, reflecting increases or decreases in utility costs, taxes, or revenues, and that is subject to Commission review at least every two years.

proposed Harborton Restoration Project, through Advice 16-11, a new mechanism titled Portland Harbor Environmental Remediation Account (PHERA); and

3) UM 1789 – a deferred account for tracking environmental-related costs and revenues according to the conditions of the PHERA. PGE sought the account under ORS 757.259(2)(e), which allows and authorizes deferral of expenses or revenues for later incorporation into rates to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

The three dockets were consolidated, parties held a workshop during which PGE provided factual and technical specifications of its applications, and negotiated settlement terms in a settlement conference. Parties also held oral arguments to provide additional explanations regarding the meaning of the stipulation and how it serves the public interest.

The parties agreed on the settlement terms and the Commission, through OPUC Order No. 17-071, authorized PGE to:

1) Place a deed restriction on the Harborton property and sell DSAY credits created by the project, subject to condition that PGE will not be entitled to recover any Harborton Restoration Project development costs to the extent those costs exceed PGE's DSAY revenues.

2) Create Schedule 149 and implement it as an automatic adjustment clause, the PHERA,³ designed to allow for offsetting of environmental remediation costs⁴ with environmental remediation⁵ revenues incurred or received after July 15, 2016; and

3) Open a deferred account for deferral of costs and revenues under the PHERA,

³ The Commission anticipates the PHERA will be reviewed and revised at numerous points in time and that PGE will report annually on the status of PGE's environmental remediation activities and insurance litigation.

⁴ Environmental Remediation Costs are costs related to remediation of the Portland Harbor and Downtown Reach sites, the Natural Resource Damage obligation, Harborton Restoration Project O&M and endowment costs, and costs related to pursuing insurance recoveries.

⁵ DSAY revenues net of prudent Harborton Restoration Project development costs, insurance proceeds, the \$3.56 million included in base rates for environmental remediation activities at Portland Harbor and Downtown Reach, the Schedule 149 tariff revenue, and interest.

with remediation costs and revenues effective July 15, 2016.

II. OAR 860-027-0300 Requirements

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

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

Pursuant to ORS 757.259 (2) (e), PGE seeks reauthorization of the deferred accounting treatment of the revenues and expenses associated with the deferral and balancing account associated with Schedule 149 and PHERA. As stated above, PGE requests a reauthorization period of July 15, 2018 through July 14, 2019.

The utility expenses and revenues for which PGE is seeking reauthorization of deferred accounting treatment are associated with environmental remediation activities at Portland Harbor and Downtown Reach sites and Harborton Restoration Project. The expected expenses and revenues involve construction, environmental permitting and design, legal expenses caused by pursuing historical insurers, Schedule 149 tariff revenues, insurance proceeds, and DSAY revenues net of Harborton Restoration Project development costs. Amounts in the deferral - balancing account accrue interest at the Commission-authorized rate of return⁶ for deferred accounts.

b. Reasons for Deferral

See Deferral History above. 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. PGE received approval of this deferral through Commission Order No. 17-393 for

⁶ Pre-tax balances in the PHERA Annual Account that have not been deemed prudent by Commission order accrue interest at the authorized rate of return approved in PGE's most recent general rate case. Environmental expenses and revenues that have been reviewed for prudence and deemed prudent by the Commission will be transferred in the PHERA Balancing Account and will accrue interest at the average of the five-year US Treasury rate plus 100 basis points (PURE Rate).

the deferral period of July 15, 2017 through July 14, 2018.

Without reauthorization, this deferral will expire on July 15, 2018. PGE expects any deferred amount to be recovered or refunded in a manner approved by the Commission and consistent with the terms of Schedule 149.

c. Proposed Accounting for Recording Amounts Deferred.

PGE proposes to continue to record deferred amounts accrued or incurred into the following regulatory asset account on the balance sheet:

| | |
|----------|--|
| 182.3001 | Other Regulatory Assets – Portland Harbor Environmental Costs |
| 182.3001 | Other Regulatory Assets – Natural Resource Damages |
| 182.3001 | Other Regulatory Assets – Environmental Administrative and Legal Costs |

Without reauthorization of this deferral, 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 the Harborton Restoration Project for the creation of DSAY credits, PGE will 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, the DSAY proceeds would be recorded in subaccount 457 (Miscellaneous Revenue) and the insurance recoveries would be recorded in subaccount 923 (Outside Services) to offset expenses incurred.

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

PGE estimates the deferred amount to be approximately \$6.3 million for the period July 15, 2018 through July 14, 2019. This estimate is provided in confidential Attachment B.

e. Notice

A copy of the notice of application for reauthorization of deferred accounting treatment and a list of persons served with the Notice are attached to the Application as Attachment A. In compliance with the provisions of 860-027-0300(6), PGE is serving the 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 sections II (a) and II (b) above.

b. The Reason for Continuing Deferred Accounting

PGE seeks approval to continue to defer expenses and revenues associated with Schedule 149 and PHERA between July 15, 2018 and July 14, 2019 as described in II (a) and II (b) above. Without reauthorization this deferral will expire on July 15, 2018.

IV. Summary of Filing Conditions

a. Earnings Review

An earnings review is required prior to amortization, pursuant to ORS 757.259(5). Pursuant Commission Order No. 17-071 approving the proposed PHERA recovery mechanism in Schedule 149, following a prudence review, PGE will be allowed to place prudent expenses and proceeds into the PHERA to the extent that PGE's Actual Regulated Return on Equity (ROE) does not exceed its ROE authorized by the Commission in PGE's most recent general rate case. A fixed \$6.0 million each year in environmental remediation costs and Harborton Restoration

Project development costs are not subject to the earnings test. Proceeds from insurance companies and DSAY sales will be subject to an earnings review. The earnings review will occur after the PCAM Earnings Review.

b. Prudence Review

The Public Utility Commission of Oregon (OPUC) will review and determine prudence of environmental costs and revenues associated with Schedule 149 and the PHERA that are being deferred during the calendar year. According to Commission Order No. 17-071 PGE is required to file a report each year of all activity associated with environmental remediation costs, environmental remediation revenues, and Harborton Restoration Project development costs in the PHERA annually by March 15, and Staff will submit its report within 120 days to the Commission recommending which amounts should be deemed prudent.

c. Sharing

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

d. Rate Spread/Rate Design

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 (ORS 757.259(6))

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, pursuant the approval of PHERA through Commission Order No. 17-071, the three-percent test does not apply.

V. PGE Contacts

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

Douglas C. Tingey
Associate General Counsel
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121 SW Salmon Street
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PGE-OPUC Filings
Rates & Regulatory Affairs
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In addition to the names and addresses above, the following are to receive notices and communications via the e-mail service list:

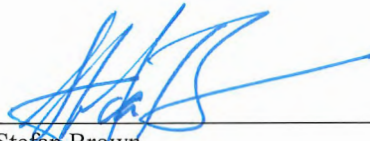
Stefan Brown,
E-mail: stefan.brown@pgn.com

VI. Conclusion

For the reasons stated above, PGE requests permission to continue to defer certain expenses associated with environmental remediation effective July 15, 2018 through July 14, 2019.

DATED: July 11, 2018.

Respectfully Submitted,



Stefan Brown
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UM 1789

Attachment A

Notice of Application for Reauthorization of Deferral
of Revenues and Costs Related to the
Portland Harbor Environmental Remediation Account
Schedule 149

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1789

**In the Matter of the Application of Portland
General Electric Company for an
Application to Deferral of Revenues and
Costs Related to the Portland Harbor
Environmental Remediation Account,
Schedule 149**

**Notice of Application for Reauthorization
of Deferral of Revenues and Costs Related
to the Portland Harbor Environmental
Remediation Account, Schedule 149**

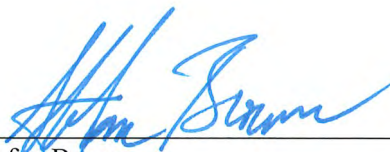
On July 11, 2018, Portland General Electric Company (PGE) filed an Application for Reauthorization of Deferral of Revenues and Costs Related to the Portland Harbor Environmental Remediation Account (PHERA) with the Public Utility Commission of Oregon (the "Commission").

Approval for deferred accounting treatment 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.

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

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than August 12, 2018.

Dated: July 11, 2018.



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UM 1789

Attachment B

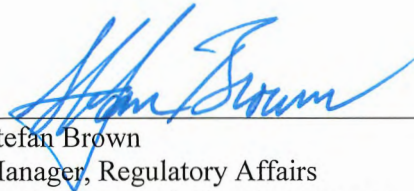
Protected Information Subject to Protective Order No. 16-270

Estimates of Revenues and Costs Related to
the Portland Harbor Environmental Remediation Account,
Schedule 149
July 15, 2018 – July 14, 2019

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **Application for Reauthorization of Deferral of Revenues and Costs Related to the Portland Harbor Environmental Remediation Account, Schedule 149**, to be served by electronic mail to those parties whose email addresses appear on the attached service list for Commission Docket No. UE 335 and UM 1789.

DATED at Portland, Oregon, this 11th day of July 2018.



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