



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

October 4, 2016

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97302-1166
PUC.FilingCenter@state.or.us

Re: UM 1789 – Errata Filing

Dear UM 1789 Parties:

The Public Utility Commission of Oregon Staff (Staff) corrects mistakes to Staff's Reply Testimony with this errata filing. A summary of the corrections are listed below. Corrected replacement pages reflecting the errata changes are attached.

- Staff/100/Moore/18 at line 21: “; and” was deleted.
- Staff/100/Moore/19 at line 1: “2.” was deleted.
- Staff/100/Moore/21 at line 14: “Exhibit/200” was changed to “Exhibit/300.”
- Staff/100/Moore/31 at line 13 and 14: “. . . Schedule 149 tariff revenue, and interest accrual . . .” was deleted from the sentence describing the type of revenue that PGE proposes to spread evenly over the remaining life of the Harborton Project.
- Staff also noted that the confidential pages of Staff/100 that were mailed to the parties that have signed Protective Order No. 16-270 did not match up with the redacted version of Staff/100 (the line numbering and page numbering was slightly off in places). Staff has attached, for the parties that have signed Protective Order No. 16-270, a copy of the confidential pages of Staff/100 that match up with the redacted version.

If you have any questions about this errata filing, please do not hesitate to contact me.

Sincerely,

Kaylie E. Klein
Assistant Attorney General
Business Activities Section

KK7#7750309

Attachments

cc: UM 1789 Service List

CERTIFICATE OF SERVICE

UM 1789
Errata Staff Exhibit 100

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 4th day of October, 2016 at Salem, Oregon



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UM 1789 – SERVICE LIST

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1 liability by paying the cash-out price to the Trustees or buying DSAYs from
2 other PRP project developers within the harbor.

3 The Commission could also consider this property sale on a stand-alone
4 basis and not integrate it with the other two dockets and let the mechanisms
5 developed in those dockets be independent of the economic effects of this
6 proposed property sale. Staff is not recommending this approach because it is
7 the environmental remediation requirements at large that give rise to the value
8 of this proposed property sale, and so there is a nexus among the three
9 dockets.

10 **C. Conclusion**

11 **Q. What is Staff's conclusion with regard to PGE's UP 344 proposal?**

12 A. Staff concludes that customers and the public have little risk with regard to PGE
13 placing a deed restriction on the property (and eventual conservation
14 easement) in order to generate DSAYs, as long as the costs that are offset by
15 the proceeds are appropriate for recovery. Staff believes that customers will
16 most likely receive a significant benefit from the Harborton Project.

17 Staff recommends the Commission approve PGE's UP 344 application
18 subject to the following condition:

- 19 1. If no DSAY market develops such that the Company cannot cover the
20 cost of its development and maintenance, then customers will not be
21 charged for costs associated with the Harborton Project.

22 //

1 //

2 **III. UM 1789 – DEFERRAL OF COSTS AND REVENUES RELATED TO**
3 **SCHEDULE 149**

4 **A. PROPOSAL**

5 **Q. Please explain what PGE is proposing in UM 1789.**

6 A. PGE seeks authorization under 757.259(2)(e) to defer for later rate-making
7 treatment Portland Harbor-related, and other environmental remediation costs
8 and proceeds. The deferral was filed to support Schedule 149, the cost
9 recovery mechanism proposed in companion docket UE 311. PGE will seek
10 amortization of the deferred amounts as described in Schedule 149.

11 The proposed deferred costs would be related to the following sites:
12 Portland Harbor Superfund Site (federal), Downtown Reach (state), Harborton
13 Restoration Project (federal). Further, PGE proposes that costs includable in
14 the deferral would include, but not be limited to, environmental remediation
15 costs, NRD damages, the cost of pursuing recovery from insurers, and the
16 development of the Harborton Project.²⁶ The proceeds generated from the
17 sale of DSAY credits, as well as proceeds recovered from insurance companies
18 related to environmental defense costs and remediation liability would also be
19 deferred.

20 PGE seeks approval to defer the costs and revenues identified above
21 beginning as of the date of application, July 15, 2016. However, as of May 31,

²⁶ See UM 1789 filing at 3.

1 For costs incurred from the Harborton Project development, PGE
2 requests to defer the capital and ongoing O&M costs into the sub accounts of
3 182.3xx – Other Regulatory Assets – DSAY Inventory. Without the deferral,
4 these amounts would be recorded in balance sheet subaccount 156 – Other
5 Materials & Supplies Inventory – DSAYs.

6 Proceeds from the sale of DSAYs and insurance recoveries will be
7 recorded with the subaccounts of 182.3 – Other Regulatory Asset/Liability –
8 Environmental Balancing, for the purpose of offsetting deferred environmental
9 costs and recovery through the Schedule 149 recovery mechanism proposed in
10 UE 311 – Portland Harbor Environmental Remediation Balancing Account
11 (PHERA). Both costs and proceeds that would be transferred to the PHERA
12 are subject to a prudence review.

13 For a more detailed discussion of the proposed accounting, please see
14 the testimony of Staff Witness Marianne Gardner in Exhibit/300.

15 **B. Staff's Analysis**

16 **Q. What is the standard for Staff's review of a deferral?**

17 A. PGE seeks authorization of this deferral pursuant to ORS 757.259(2)(e) and
18 OAR 860-027-0300, for the purpose of minimizing the frequency of rate
19 changes and more appropriately matching the costs borne by and benefits
20 received by customers.

21 **Q. What PGE properties are subject to environmental remediation costs that**
22 **PGE proposes to include in the mechanism?**

1 should be imputed in an instance where Staff believes that the timing was
2 influenced by the Company's anticipated or calculated earnings.

3 **Q. Will different interest rates be applied pre-prudency and post-prudency?**

4 A. Yes. Before the prudence review, both costs and revenues will earn interest at
5 the Company's authorized rate of return. Costs that have been deemed
6 prudent will accrue interest at the "PURE" rate³⁶, developed in the Northwest
7 Natural SRRM docket UM 1635. Pre-prudence interest rate at the Company's
8 AROR is consistent with how deferral balances are generally treated, as
9 prescribed by Commission Order No. 05-1070.

10 **3. Allocation of Costs and Revenues**

11 **Q. Explain how costs and revenues are allocated over time in the PHERA.**

12 A. In PGE's proposal, costs and revenues are treated asymmetrically. Revenues
13 from DSAY sales and insurance proceeds are allocated evenly over the
14 remaining life of the Harborton Project (estimated around 2028).

15 //

16 Costs, once they have been offset by allocated revenues and subjected
17 to an earnings test (if triggered) are spread over five years.

18 **Q. Does Staff support this method of allocating costs and revenues? If so,
19 why?**

20 A. Staff agrees with PGE's method of allocating costs and revenues. Spreading
21 revenues over the life of the project helps to ensure that costs are recovered in

³⁶ "PURE" rate – "Prudence-Reviewed Unamortized Environmental Remediation Expense" is established each year by OPUC Staff and represents the 5-year US Treasury rate plus 100 basis points.