

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 20, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: December 13, 2016

TO: Public Utility Commission

FROM: Max St. Brown <sup>MSB</sup>

THROUGH: I Jason Eisdorfer and Marc Hellman <sup>A</sup>

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 403/Advice No. 16-16) Schedule 145 Boardman Power Plant Decommissioning Adjustment.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Portland General Electric's (PGE or Company) proposed Schedule 145, as described in Advice No. 16-16, effective for service rendered on and after January 1, 2017.

**DISCUSSION:**

Issue

Whether the Commission should approve revised Schedule 145 prices consistent with updated information related to the Boardman decommissioning costs.

Applicable Rule or Law

- I. ORS 757.205 and ORS 757.210 pertain to filing schedules with the Commission and hearing to establish new schedules.
- II. OAR 860-022-0025(2) states that each energy utility filing tariffs or schedules changing existing tariffs or schedules shall submit: (a) a statement plainly indicating the increase, decrease, or other change thereby made in existing rates, charges, tolls, or rules and regulations; (b) a statement setting forth the number of customers affected by the proposed change and the resulting change in annual revenue; and (c) a detailed statement setting forth the reasons or grounds relied upon in support of the proposed change.

- III. OAR 860-022-0030(1) states that each energy utility filing tariffs or schedules increasing rates shall also submit: (a) a statement setting forth for each separate schedule 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; (b) a statement setting forth for each separate schedule the average monthly use and resulting bills under both the existing rates and the proposed rates for characteristic customers, which will fairly represent the application of the proposed tariff or schedules; and (c) a detailed statement setting forth the reasons or grounds relied upon in support of the proposed increase.

### Analysis

#### *Background*

In Order No. 10-478, the Commission authorized PGE to establish an automatic adjustment clause (Schedule 145) under ORS 757.210 to recover the increased depreciation and decommissioning expenses associated with the early closure of the Boardman coal plant. Schedule 145 became effective January 1, 2011, with no rate effect (zero rates), pending the final determination of the plant closure date.

In Order No. 11-242, the Commission authorized PGE to begin amortizing Boardman decommissioning costs under Schedule 145. Under Order No. 11-242, PGE must submit an annual informational report each June 15 reflecting the current balance of dollars collected for decommissioning and any relevant changes to PGE forecasts of future decommissioning costs. PGE must also file an annual update to Schedule 145 rates no later than November 1 of each calendar year. On October 27, 2016, PGE updated its 2016 annual filing to include a new decommissioning cost study prepared by the engineering firm CH2M Hill. This study described that the total costs associated with decommissioning Boardman might be less than the total costs designed to be collected though current rates in Schedule 145 – thus a rate reduction is warranted. The purpose of this filing is to align the rates collected though Schedule 145 with the best current estimate of the funds that will be necessary to decommission Boardman.

On October 31, 2016, PGE filed Advice No. 16-16 requesting updates to the Schedule 145 rates to no longer collect the amounts in the balancing account that were to be amortized over 2016 and to continue to maintain the annual decommissioning revenue requirement of \$6.1 million. Staff met with the Company on November 8, 2016, to discuss the filing, including the updated, and lower, cost estimate of the Boardman decommissioning prepared by CH2M Hill. At Staff's recommendation, on December 1, 2016 PGE filed a Supplemental Filing in Advice No. 16-16 (Supplemental Filing). The

Supplemental Filing lowered the decommissioning revenue requirement from \$6.1 million to \$4.4 million.

*Lowering the Revenue Requirement to Reflect Information in CH2M Hill's New Study*  
PGE's initial filing states that, "while PGE has recently received from CH2M Hill a new decommissioning, demolition, and final closure plan for Boardman, the focus of that new plan was to provide planning guidance, rather than detailed decommissioning cost estimates." Nonetheless CH2M Hill's new study included relevant updates on three cost elements. First, the reservoir at the Boardman site no longer needs to be removed resulting in a \$3.6 million reduction in decommissioning costs. Second, certain transmission assets at the Boardman site no longer need to be removed resulting in a \$1.3 million reduction in decommissioning costs. Third, Tower Road no longer needs to be removed resulting in a \$1.1 million reduction in decommissioning costs. Summing these three cost elements and escalating them to 2020 dollars results in a \$7.4 million cost reduction at 100 percent share (PGE has a 90 percent ownership share of Boardman). PGE's Supplemental Filing lowers the revenue requirement to be collected through Schedule 145 rates to reflect these three updated cost elements.

Staff reviewed PGE's workpapers and issued nine requests for information. The \$4.4 million revenue requirement for 2017 is computed by subtracting the funds already collected from the necessary funds and then dividing by the number of remaining years of collection. Specifically, the current 100-percent-share cost of decommissioning Boardman is \$78.1 million.<sup>1</sup> Subtracting the \$7.4 million summed cost elements described in the preceding paragraph provides \$70.7 million. Idaho Power's 10 percent ownership share removes \$7.1 million of cost responsibility from PGE, with \$63.6 million remaining. The forecasted total amount collected through December 31, 2016, is \$44.7 million, not accounting for interest.<sup>2</sup> Thus, PGE's cost responsibility minus collections through December 31, 2016 is \$18.9 million. Next, Schedule 145 rates exclude \$2.1 million because, first, in the UE 281 stipulation, PGE agreed to exclude \$1.1 million of decommissioning expenses from the amount for recovery.<sup>3</sup> And second, Power Resources Cooperative paid "PGE-to compensate customers for the risk that actual decommissioning costs exceed the base amount, specifically ash removal, coal removal, and the employee retention plan."<sup>4</sup> This brings the amount to be collected from PGE customers to \$16.9 million. These funds are to be collected over the next four

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<sup>1</sup> See Attachment A of PGE's response to Staff IR 6, which is attached as Appendix A of this memo.

<sup>2</sup> See Annual Boardman Decommissioning Update – 2016, June 13, 2016. Available at: <http://edocs.puc.state.or.us/efdocs/HAQ/re77haq10257.pdf>

<sup>3</sup> See Order No. 14-169 at 3.

<sup>4</sup> See UE 283/PGE/1500, Pope – Tooman/2, lines 6-8.

years, thus dividing by four and including revenue sensitive costs, the revenue to be collected in 2017 rates is approximately \$4.4 million.

#### *Updating Rates to Reflect 2017 Projected Loads*

Schedule 145 rates are updated annually. Rates in last year's filing were set to be recovered from 856,000 average monthly applicable cost-of-service customers. This year's rate recovers costs from 870,000 average monthly applicable cost-of-service customers. All else equal, the impact of additional customers and associated kWh sales is to lower the Schedule 145 rates. Combined with the lower revenue requirement described in the previous paragraphs, the total rate impact for the 876,000 applicable cost-of-service customers will be an average 0.1 percent decrease. PGE spread the revenue requirement among schedules using an equal percent of Energy Charge revenues allocation methodology. Staff confirmed the accuracy of the formulas in PGE's pricing worksheet.

#### Conclusion

PGE's Supplemental Filing decreases the annual revenue requirement associated with the Boardman decommissioning from \$6.1 million to \$4.4 million and ceases collection of balances to be amortized from January to December of 2016. A typical Schedule 7 residential customer consuming 840 kWh monthly will see a bill decrease of \$0.11.<sup>5</sup> PGE expects to update its decommissioning costs estimates in the future. As an automatic adjustment clause, both customers and PGE will be made whole for any over- or under-collection of decommissioning amounts. As the decommissioning date nears and cost estimates become more accurate, the revenue requirement may need to be adjusted again at a future date, in order to ensure that PGE has sufficient decommissioning funds and that collections from customers match expected costs.

The Company has reviewed this memo and has no areas of concern.

#### **PROPOSED COMMISSION MOTION:**

Approve PGE's proposed Schedule 145, as described in the Supplemental Filing in Advice filing 16-16, effective with service rendered on and after January 1, 2017.

CA6\_(PGE) Boardman Decommissioning

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<sup>5</sup> PGE 12/1/16 Supplemental Filing in Advice No. 16-16 at 1.

**Appendix A**  
 Attachment A of PGE's Response to Staff IR 6

	A	B	C	D	E	F	G	H	I
1	<b>BOARDMAN DECOMMISSIONING ESTIMATE</b>								
2									
3									
4									
5						From Study			
6						100% share	100% share	100% share	PGE 90% share
7	<b>Non Coal Handling</b>					<u>2010\$</u>	<u>2010\$</u>	<u>2020\$ Total</u>	<u>*2020\$</u>
8									
9	Power Plant and Associated Facilities					41,078,000	41,078,000	49,841,000	44,857,000
10	Carty Reservoir					3,625,000	3,625,000	4,398,000	3,958,000
11	Transmission Lines					2,137,000	2,137,000	2,593,000	2,334,000
12	Access Road - Extension of Tower Road					1,098,000	1,098,000	1,332,000	1,199,000
13	Ash Field					26,785,000	5,807,000	7,046,000	6,341,000
14	Subtotal					74,723,000	53,745,000	65,210,000	58,689,000
15									
16	Contingency					7,472,000	5,375,000	6,522,000	5,870,000
17									
18	Scrap					(13,483,000)	(13,483,000)	(16,359,000)	(14,723,000)
19									
20	Total Non Coal Handling					68,712,000	45,637,000	55,372,000	49,835,000
21									
22	Severance							8,764,000	7,888,000
23	Retention/Reliability Plan							10,000,000	9,000,000
24	Decom Study Costs							50,000	45,000
25									
26	Total Non Coal Handling							74,186,000	66,767,000
27									
28									
29						100% share	100% share	100% share	PGE 90% share
30	<b>Coal Handling</b>					<u>2010\$</u>	<u>2010\$</u>	<u>2020\$ Total</u>	<u>*2020\$</u>
31									
32	Coal handling					11,509,000	3,504,000	4,251,000	3,826,000
33	Railroad Spur and Power Plant Loop					493,000	493,000	598,000	538,000
34	Subtotal					12,002,000	3,997,000	4,850,000	4,365,000
35									
36	Contingency					1,200,000	400,000	485,000	437,000
37									
38	Scrap					(1,144,000)	(1,144,000)	(1,388,000)	(1,249,000)
39									
40									
41									
42									
43	Total Coal Handling					12,058,000	3,253,000	3,947,000	3,552,000
44									
45	Total Coal and Non Coal Handling								70,319,000
46	Less UE 281 Stip								(1,135,543)
47	Less PRC Retention								(1,000,000)
48	Total Amount to Collect								68,183,457

Staff Note: H26+H34+H36+H38= \$ 78,133,000