



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

December 22, 2017

**via E-Mail**

*puc.filingcenter@state.or.us*

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

Attention: OPUC Filing Center:

**RE: UM \_\_\_\_\_ PGE's Application for Deferral of Major Maintenance Expenses**

Enclosed for filing is Portland General Electric Company's Application for Deferral of Major Maintenance Expenses.

A Notice regarding the filing has been provided electronically to the parties on the UE 319 service list.

Parties who wish to receive a copy of the Application should review the Public Utility Commission of Oregon website.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at 503-464-7805. Please direct all formal correspondence, questions, or requests to the following e-mail address: [pge.opuc.filings@pgn.com](mailto: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

*encls.*

cc: Bob Jenks, CUB  
Tyler Pepple, ICNU  
Service List: UE 319

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM \_\_\_\_\_**

In the Matter of the Application of Portland	)	Application for the Deferral Of Major
General Electric Company for an Order	)	Maintenance Expenses
Approving the Deferral of Major Maintenance	)	
Expenses	)	

Pursuant to ORS 757.259 and OAR 860-027-0300, and to comply with Public Utility Commission of Oregon (“Commission” or “OPUC”) Order No. 17-511 (Docket No. UE 319), Portland General Electric Company (“PGE”) hereby requests authorization to defer certain costs associated with its Major Maintenance Accruals (“MMAs”). PGE currently has MMAs for five thermal generating plants<sup>1</sup> and this application (“Application”) is intended to aggregate the requirement of Order No. 17-511 so as to avoid filing separate deferral applications for each plant.

PGE requests that the deferral begin effective January 1, 2018 and be subject to annual renewals beginning January 1, 2019. PGE will not seek amortization of the MMA-related deferred amounts in a future proceeding as the deferred amounts will automatically reverse due to the standard operation of the MMAs. In short, approval of this application will permit PGE to continue using the MMA balancing account mechanism as intended. In accordance with prior Commission Orders approving MMA accounting treatment, the balance of the MMA balancing account, either positive or negative (i.e., debit or credit), will be rolled forward into the calculation of future accruals. Section A, below provides further details regarding PGE’s MMA calculation and amortization. In support of this Application PGE states:

1. PGE is a public utility in the state of Oregon and its rates, service and accounting practices are subject to the regulation of the Commission.

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<sup>1</sup> Coyote Springs 1, Port Westward 1, Port Westward 2, Carty, and Colstrip units 3&4.  
Application for Deferred Accounting

2. This application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items.
3. Written communications regarding this Application should be addressed to:

Douglas C. Tingey  
Associate General Counsel  
Portland General Electric  
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E-mail: [doug.tingey@pgn.com](mailto:doug.tingey@pgn.com)

PGE-OPUC Filings  
Rates & Regulatory Affairs  
Portland General Electric  
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E-mail: [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

In addition to the names and addresses above, the following are to received notices and communications via the e-mail service list:

Alex Tooman, Project Manager, Regulatory Affairs  
E-mail: [Alex.Tooman@pgn.com](mailto:Alex.Tooman@pgn.com)

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

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

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

In prior filings<sup>2</sup> PGE proposed and the Commission approved the MMA accounting treatment as a way of normalizing the volatility of its thermal plants' major maintenance expenses. Major maintenance costs can vary dramatically from year to year and, absent an MMA, PGE would expense the major maintenance costs in the period the work is performed. Accounting for costs in this manner would have two significant disadvantages: 1) it would not allow the recording of expense in the same period that benefits<sup>3</sup> occur; and 2) it would reflect expenses that are cyclical and "lumpy" in only certain years. Under this method, it would be problematic to establish stable prices.

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<sup>2</sup> Order No. 95-1216 approved an MMA for Coyote Springs. Subsequent Commission orders approving MMAs include: Port Westward 1 (UE 262, OPUC Order No. 13-459), Port Westward 2 (UE 283, OPUC Order No. 14-422), Carty (UE 294, OPUC Order No. 15-356), and Colstrip (UE 319, OPUC Order No. 17-511)

<sup>3</sup> The benefits are the generation and use of electricity by customers.

To avoid these problems, the Commission approved PGE's accounting treatment of MMAs. The MMA is a combination of an accrual and a balancing account wherein PGE develops a forecast of expected expenses over a five-year rolling period and establishes an accrual amount that levelizes those costs. Expenses, when incurred, are then booked to the MMA balancing account, offsetting the amounts collected under the annual accrual. This process ultimately results in an expected account balance of zero by the end of the five-year rolling period. In the next forecast of expected expenses, the current balance of the MMA balancing account is rolled forward into the calculation of the proposed accrual. By balancing the costs and collections, PGE achieves an appropriate matching of costs to both the period and customers benefitted. The accrual also results in more stable prices that normalize the swings in major maintenance costs.

Major maintenance events occur based upon maintenance intervals established under PGE's plant maintenance contracts. Generally, the timing is dependent upon a facility's capacity factor (hours run / hours in period). Listed below are examples of gas-fired generating plants' major maintenance items:

- Major Turbine and Generator Inspections to perform advanced assessments along with related work that may include combustion turbine alignment; exhaust frame modifications; and repairs to thrust bearings, the generator stator and the generator field.
- Hot Gas Path Inspection including the disassembly of combustion and turbine sections of the combustion turbine so that parts may be inspected and repaired or replaced as necessary. The combustion section is where the natural gas is combined with compressed air and burned. The turbine section is where mechanical energy is

extracted from the high speed flow of hot combustion gases exiting the combustion chambers.

- Selective Catalytic Reduction Catalyst Replacements.
- Auxiliary Boiler Maintenance.

With one exception (i.e., Colstrip), PGE calculates the MMAs by forecasting five years of the expected operational run of our thermal plants using the MONET<sup>4</sup> model and, based on hours of plant operation, we forecast the timing for the major maintenance activities. The total maintenance costs over the five-year period are averaged to derive the annual major maintenance accrual amount. The Colstrip MMA is calculated using a three-year moving average.

Because the MMA balancing account mechanism has been approved by the Commission in previous general rate proceedings, PGE does not believe that an annual request for deferred accounting is necessary. However, to comply with the stipulation adopted by Commission Order No. 17-511, PGE submits this application to address the infrequent occasions when major maintenance expenses are in excess of the amounts already collected in rates.

#### B. Reasons for Deferral

Pursuant to ORS 757.259(2)(e), for the reasons discussed above, PGE seeks deferred accounting treatment for the major maintenance expenses in excess of the amounts already collected in rates beginning January 1, 2018 and through December 31, 2018. The granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. Approving the Application will not authorize a change in rates, but will permit PGE to continue using MMA accounting treatment as intended and approved through prior Commission Orders.

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<sup>4</sup> See Docket No. UE 319, PGE Exhibit 300, Section II, pages 4 to 6 for a detailed description of the MONET Model.

C. Proposed Accounting for Recording Amounts Deferred.

PGE proposes to defer expenses in excess of the MMA amount collected in rates by crediting expense Account 553 (Maintenance of Generating and Electric Equipment – Port Westward, PW2, Carty, and Coyote Springs); or expense Account 513 (Maintenance of Electric Plant – Colstrip) for the excess and debiting FERC Account 182.3 (Other Regulatory Assets). Revenues collected in excess of incurred major maintenance expenditures will be deferred by debiting FERC Account 456 (Other Electric Revenues), and crediting FERC Account 254 (Other Regulatory Liabilities).

D. Estimate of Amounts to be Recorded for the Next 12 months.

PGE does not have an estimate of the amounts to be deferred because they occur infrequently and can vary from plant to plant depending on 1) the level of major maintenance expenses when incurred; and 2) the accuracy of the projections for determining the annual accrual.

E. Notice

A copy of the Notice of Application for Deferral of Major Maintenance Expenses and a list of persons served with Notice are attached to the application as Attachment A. In compliance with the provisions of 860-027-0300(6), PGE is serving Notice of Application on the UE 319 Service List, PGE's last general rate case.

**II. Summary of Filing Conditions**

A. Earnings Review

No earnings review is applicable because the costs associated with the major maintenance accruals are already included in base rates. In addition, PGE will not seek separate amortization

of the deferred amounts in a future proceeding because both the revenues and associated costs will flow through the MMA.

B. Prudence Review

A prudence review should be performed by the Commission Staff as part of their review of PGE's general rate case filings.

C. Sharing

All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.

D. Rate Spread/Rate Design

MMA-related costs will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a cents-per-kWh basis.

E. Three percent test (ORS 757.259(6))

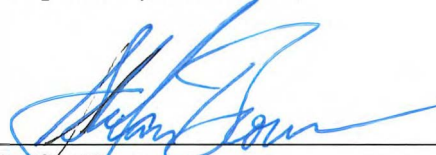
The three percent test would not apply because PGE will not seek amortization of the deferred amounts in a future proceeding.

### **III. Conclusion**

For the reasons stated above, PGE requests permission to defer the major maintenance expenses in excess of the amounts collected in rates such that these amounts can be rolled forward into the calculation of the MMAs.

DATED this 22<sup>nd</sup> day of December 2017.

Respectfully Submitted,



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Stefan Brown  
Manager, Regulatory Affairs  
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# **Attachment A**

## **Notice of Application for Deferral of Major Maintenance Expenses**

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM \_\_\_\_\_

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Major Maintenance Expenses	) ) ) ) )	<b>Notice of Application for the Deferral of Major Maintenance Expenses</b>
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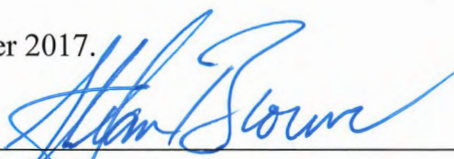
On December 22, 2017, Portland General Electric Company (“PGE”) filed an application with the Public Utility Commission of Oregon (the “Commission”) for an Order authorizing deferral of major maintenance expenses in excess of major maintenance amounts already collected in rates.

Approval of PGE’s Application will not authorize a change in PGE’s rates, but will permit PGE to continue the Major Maintenance Accrual accounting treatment as approved through prior Commission Orders.

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

Any person who wishes to submit written comments to the Commission on PGE’s application must do so no later than January 26, 2017.

Dated this 22<sup>nd</sup> day of December 2017.



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## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Notice of Application for Deferred Accounting Treatment of Certain Major Maintenance Expenses Associated with PGE's generation plants** to be served by electronic mail to those parties whose email addresses appear on the attached service list to those parties on the attached service list for OPUC Dockets UE 319.

Dated at Portland, Oregon, this 22nd day of December, 2017.



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OPUC DOCKET # UE 319**

**CALPINE ENERGY UE 319**

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