



Portland General Electric Company
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PortlandGeneral.com

December 2, 2016

via email

puc.filingcenter@state.or.us

Public Utility Commission of Oregon
201 High Street, Ste. 100
P. O. Box 1088
Salem, OR 97308-1088

Attn: Filing Center

Re: ADV 391 – PGE Advice No. 16-15: Schedule 146 Colstrip Power Plant Operating Life Adjustment

Enclosed for filing in the above-referenced docket is Portland General Electric Company's Reply to Comments of the Industrial Customers of Northwest Utilities.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in blue ink that reads "Stefan Brown". The signature is fluid and cursive, written over the printed name.

Stefan Brown
Manager, Regulatory Affairs

SB/sp
Enclosure

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

ADV 391

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Advice No. 16-15 Schedule 146 Colstrip Power
Plant Operating Life Adjustment

**Reply Comments of Portland
General Electric Company**

I. INTRODUCTION

Portland General Electric Company (PGE) filed Advice No. 16-15 on October 12, 2016, to establish the Schedule 146 Colstrip Power Plant Operating Life Adjustment. On October 26, 2016, the Industrial Customers of Northwest Utilities (ICNU) filed comments opposing PGE's filing. Staff's recently filed memorandum and recommendation recommends approval of PGE's filing, and discusses ICNU's arguments in opposition. PGE agrees with and supports Staff's recommendation.

PGE's filing to implement the revenue requirement effects resulting from a change in the Colstrip Generating Facility (Colstrip) currently assumed end-of-life of December 31, 2042 to December 31, 2030 is consistent with the statutory requirements of Oregon Senate Bill (SB) 1547, Section 1, and the previous treatment of accelerated depreciation through Schedule 145 (Boardman Power Plant Operating Life Adjustment). ICNU offers no compelling reason why PGE's advice filing should not be approved. In addition, if followed, ICNU's recommendation will result in higher prices in the future than the current proposal for customers.

II. REPLY TO ICNU COMMENTS

ICNU argues that PGE's filing constitutes single-issue ratemaking by singling out one component of its overall costs for special treatment. PGE is aware of the Commission's preference of authorizing single-issue ratemaking only under limited circumstances, but this filing does not fall into that category. PGE is simply implementing the clear language from SB 1547 Section 1 that states "The Public Utility Commission shall adjust any schedule of depreciation approved by the commission for an electric company's coal-fired resource"¹ and that "(t)he adjusted depreciation schedule....must require the coal-fire resource....to be fully depreciated on or before December 31, 2030."² There is no question that SB 1547 directs PGE to fully depreciate Colstrip on or before December 31, 2030. PGE is not requesting special treatment; we are following the statutory requirements of SB 1547.

It is customers, not PGE, who benefit from accelerating Colstrip depreciation in 2017 as opposed to a later date. The acceleration of Colstrip's depreciation does not affect, nor is it affected by any other PGE expense. Whether PGE accelerates Colstrip's depreciation schedule now or later will not affect PGE's earnings. Further, beginning the collection of accelerated depreciation on January 1, 2017, as opposed to a later date, will decrease the annual amount customers pay by spreading the costs across a longer time horizon. Delaying the implementation of this requirement only increases the annual costs to customers.

Since the enactment of SB 1547, PGE has (outside of the general rate case process) implemented or initiated many of the new statutory requirements in the bill.

¹ SB 1547 Section 1(3)(a).

² SB 1547 Section 1(3)(b).

Some changes of note include forecasting of Production Tax Credits in PGE's annual Net Variable Power Cost update and reflecting changes in renewable energy certificates retirement in PGE's Renewable Portfolio Standards compliance report. Both of these changes were made to comply with SB 1547 and both were implemented outside of a general rate case.

ICNU attempts to draw a distinction between the Boardman Schedule 145 Tariff, effectuated through docket UE 230 and Schedule 146. In fact, they are quite similar. Schedule 145 was first presented in our 2011 general rate case (docket UE 215), with prices set at zero and no change to the depreciation schedule for Boardman. PGE's 2009 depreciation study was adjusted to reflect the change in retirement date for Boardman and Schedule 145 prices were changed through docket UE 230 (i.e., outside of a general rate case filing). Like this filing, Docket UE 230, provided the information and support used by the Commission to authorize the non-zero prices included within Schedule 145. Therefore, like Schedule 146, the first time PGE requested recovery of any incremental costs related to the early closure of Boardman was outside of a general rate case.

Finally, ICNU argues that PGE has no basis to request that Schedule 146 be implemented as an automatic adjustment clause (AAC). Like Boardman's Schedule 145 Tariff, implementing Schedule 146 as an AAC ensures that PGE is able to account for changes in customer loads, decommissioning costs, and other factors that could affect PGE's ability to collect the full amount of incremental depreciation by 2030. There will be no earnings impact if an automatic adjustment clause is used and accelerated depreciation has no effect on any other PGE cost. Implementing Schedule 146 as an AAC provides PGE and our customers assurance that the full amount (and nothing more)

of depreciation and decommissioning will be collected. Additionally, an AAC allows PGE the ability to adjust Schedule 146 to reflect future changes in the Commission's decision on the treatment of Colstrip's incremental depreciation and decommissioning costs.

III. SUMMARY

PGE's request that Schedule 146 be implemented to begin collecting incremental depreciation and decommissioning costs related to the early closure of Colstrip is appropriate. PGE supports Staff's recommendation for approval.

DATED this 2nd day of December, 2016.

Respectfully submitted,



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