

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 25, 2018

REGULAR  CONSENT  EFFECTIVE DATE July 15, 2018

DATE: September 18, 2018

TO: Public Utility Commission

FROM: Mitchell Moore *mm*

THROUGH: Jason Eisdorfer *JE* and John Crider *JC*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1789 (2)) Re-authorization to Defer Revenues and Costs Related to the Portland Harbor Environmental Remediation Account.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Portland General Electric Company's (PGE or Company) application to reauthorize deferred accounting for costs and revenues associated with the Portland Harbor Environmental Remediation Account (PHERA), Schedule 149, for the 12-month period beginning July 15, 2018.

**DISCUSSION:**

Issue

Whether the Commission should approve PGE's request for re-authorization of deferred accounting for costs and revenues associated with the PHERA.

Applicable Law

PGE submitted its deferral application pursuant to ORS 757.259 and OAR 860-027-0300, and Commission Order No. 17-071. ORS 757.259 is the Commission statute governing deferrals; OAR 860-027-0300 is the Commission rule related to such applications.

The Commission originally approved the deferral of the Company's environmental remediation and cleanup costs in Order No. 17-071, as well as PGE's PHERA mechanism and corresponding Schedule 149.

## Discussion and Analysis

### *Background:*

In Commission Order No. 17-071, the Commission approved the PHERA, a cost recovery mechanism (Schedule 149) that tracks and records costs and revenues associated with PGE's liability for environmental remediation and restoration in the Portland Harbor and Downtown Reach sites located in and along the Willamette River, as well as Harborton Restoration Project Development Costs. The mechanism tracks costs and revenues in the Annual Account prior to prudence review, and then transfers prudently-incurred costs and revenues to the Balancing Account for recovery over a period of time according to the principles established in Order No. 17-071.

PGE anticipates it will be assessed liability for environmental damage to sites along and 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. The liability assessment from EPA is still pending, as is the NRD damages assessment. PGE expects the NRD liability assessment to be completed in late 2018 or Spring 2019. As part of meeting its expected NRD damages obligation, PGE is constructing a remediation project called the Harborton Restoration Project. Staff completed its prudence review of costs and revenues for the period of January 1, 2017, through December 31, 2017, and the Commission adopted Staff's recommendation that the prudent costs be moved to the Balancing Account in Order No. 18-268.

### *Description of Expense:*

The expenses and revenues covered under this deferral involve construction, environmental permitting and design, legal expenses caused by pursuing historical insurers, Schedule 149 tariff revenues, insurance proceeds, and DSAY<sup>1</sup> revenues net of Harborton Restoration Project development costs.

### *Reason for Deferral:*

With this filing made on July 11, 2018, PGE requests continuation of deferred accounting to recover amounts associated with its environmental cleanup and remediation liability that was approved in Order No. 17-071. Staff agrees that this deferral will minimize the frequency of rate changes and more appropriately match the costs borne by, and the benefits received by, ratepayers consistent with the grounds for authorizing a deferral under ORS 757.259(2)(e).

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<sup>1</sup> Discount Service Acre Year – Unit of measurement for Natural Resource Damages. DSAY units to be produced by Harborton Resoration Project. See UM 1789 Staff Reply Testimony Staff/100, Moore/7-17.

*Proposed Accounting:*

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.

*Estimated Deferrals in Authorization Period:*

PGE estimates the deferred amount to be approximately \$6.3 million for the period July 15, 2018, through July 14, 2019.

*Information Related to Future Amortization:*

- Earnings Review – Costs included in the PHERA are subject to an earnings test as specified in Order No. 17-071, Appendix A.
- Prudence Review – Commission Order No. 17-071 specifies that an annual prudence review of costs and revenues included in the PHERA will be conducted by Staff before being transferred to the balancing account for amortization.
- Sharing – Costs and revenues are not subject to a sharing mechanism, except those amounts above the earnings threshold set forth in Order No. 17-071, Appendix A.
- Rate Spread/Design – Pursuant to Schedule 149 Special Condition 5, functionalized costs recoverable through Schedule 149 will be allocated to each rate schedule according to relative use of generation, distribution, and transmission service.

Conclusion

Staff concludes that PGE's application to re-authorize deferral of the costs and revenues related to the PHERA is consistent with ORS 757.259 and with Commission Order No. 17-071 and should be approved.

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**PROPOSED COMMISSION MOTION:**

Approve PGE's request to defer, for the twelve month period beginning July 15, 2018, costs and revenues associated with the PHERA.

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