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November 10, 2021

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street Southeast, Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

Re: UM 2152 – In the Matter of Portland General Electric Company, Detailed Depreciation Study of Electric Utility Properties

Dear Filing Center:

Enclosed for filing today in the above-referenced docket is the Joint Closing Brief of Portland General Electric Company (PGE), Oregon Citizens' Utility Board (CUB), and Staff of the Public Utility Commission of Oregon (STAFF). This document is being filed by electronic mail with the Filing Center.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in blue ink that reads "Loretta I. Mabinton".

Loretta I. Mabinton
Managing Assistant General Counsel

LM: dm
Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2152

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Detailed Depreciation Study of
Electric Utility Properties.

**JOINT CLOSING BRIEF OF
PORTLAND GENERAL ELECTRIC
COMPANY, OREGON CITIZENS'
UTILITY BOARD, AND STAFF OF
THE PUBLIC UTILITY
COMMISSION OF OREGON**

I. Introduction

Pursuant to the procedural schedule entered by the Administrative Law Judge (“ALJ”) on August 16, 2021, Portland General Electric Company (PGE), Staff of the Public Utility Commission of Oregon (Staff), and the Oregon Citizens’ Utility Board (CUB) (collectively, the Stipulating Parties) file this Joint Closing Brief with the Public Utility Commission of Oregon (Commission). The Stipulating Parties’ overarching interest in this proceeding remains to help the Commission approve a depreciation study that results in fair and reasonable rates to customers. The depreciation schedule that the Stipulating Parties agreed to in the Stipulation satisfies the Commission’s requirements for depreciation studies. For the reasons set forth in this Joint Closing Brief, the Stipulating Parties respectfully request that the Commission adopt the Joint Stipulation in this docket.

II. Background

Pursuant to ORS 757.140(1) and Commission Order No. 17-365, PGE filed the results of a detailed depreciation study¹ of its utility properties as of December 31, 2019, which included

¹ The study was 532 pages and included backup for the conclusions PGE had arrived at.

proposed depreciation lives, curves, and net salvage rates (collectively the “parameters”) and depreciation rates for PGE’s generation, transmission, distribution, and general plant. The study followed the guidance of well-established Commission precedent, National Association of Regulatory Commissioners (NARUC) guidance, and the Society of Depreciation Professionals standard. After responding to numerous data requests from parties, participating in a workshop and multiple settlement conferences, the Stipulating Parties entered into and filed a stipulation (Joint Stipulation) resolving all issues in the docket. AWEC opposed the Joint Stipulation. AWEC filed its objection to the Joint Stipulation and Supporting Testimony on September 17, 2021, and the Stipulating Parties filed Reply Testimony on September 29, 2021. On October 11 and 12, 2021 the ALJ held hearings in this docket, and the parties’ witnesses testified and were subject to cross-examination. On November 1, 2021, Stipulating Parties filed their Joint Opening Brief, as did AWEC.

III. Argument

The Stipulating Parties urge the Commission to adopt the Joint Stipulation as a principled resolution of all issues in this proceeding that will result in fair, just, and reasonable depreciation rates. Consistent with longstanding Commission practice, the Joint Parties applied the Remaining Life Technique to calculate depreciation rates. The Remaining Life Technique is a superior method of calculating systematic and rational² depreciation rates that, when combined with the calculation of rate base, promotes intergenerational equity for customers due to its built-in smoothing mechanisms. The precedent of the use of the Remaining Life Technique in the state of Oregon is well documented and has previously been accepted by the parties in this docket, including AWEC. AWEC proposes to treat the theoretical reserve imbalance as an actual reserve

² As defined by FERC, See: 18 C.F.R. §101.1 (2013); also cited in UM 2152, Stipulating Parties’ Exhibit 202 at 2.

imbalance and override the benefits of the Remaining Life Technique which in turn amounts to nothing more than a short-term subsidy for current customers that will result in increased costs for future customers.

In addition, AWEC has mischaracterized the Stipulating parties' settlement on depreciation parameters for Account 344.01, Generators – Wind. AWEC's analysis for this same account contains material, technical flaws which makes their proposed parameters inappropriate.

The record in this docket is sufficient for the Commission to approve the Stipulation³. AWEC's proposed adjustments, if adopted, would represent a significant departure from well-established practices and would inappropriately shift risk and cost.

i. The State of Oregon applies the Remaining Life Technique.

The Company has consistently used the Remaining Life Technique for developing depreciation rates for many years. Additionally, the Commission has a long history of consistently applying the Remaining Life Technique for other utility companies in Oregon.⁴ It should also be noted that ICNU (AWEC's predecessor) supported PGE's use of the Remaining Life Technique as a stipulating party to the settlement reached in PGE's latest approved depreciation study in Docket No. UM 1809. An excerpt from the Commission order states, "[t]he issues were ultimately

³ In docket UM 1809, Order No. 17-365, the parties reached settlement before any testimony was filed and the Commission accepted the stipulation.

⁴ See for example, UM 1647 (PacifiCorp), Order No. 13-347: <https://apps.puc.state.or.us/orders/2013ords/13-347.pdf> ;

UM 1395 (Idaho Power), Order No. 09-317: <https://apps.puc.state.or.us/orders/2009ords/09-317.pdf> ;

UM 1576 (Idaho Power), Order No. 12-296: <https://apps.puc.state.or.us/orders/2012ords/12-296.pdf> ;

UM 1801 (Idaho Power), Order No. 17-186: <https://apps.puc.state.or.us/orders/2017ords/17-186.pdf> ;

UM 1968 (PacifiCorp), Order No. 20-470: <https://apps.puc.state.or.us/orders/2020ords/20-470.pdf> ;

UM 2073 (Cascade Natural Gas), Order 20-467: <https://apps.puc.state.or.us/orders/2020ords/20-467.pdf>

resolved by the parties through the execution of a stipulation between PGE, Staff, and ICNU without the prior filing of testimony by either Staff, CUB, or ICNU.”⁵

The Stipulating Parties were not able to find an instance where AWEC’s approach as outlined in its testimony and Opening Brief has been approved in Oregon.

ii. The Remaining Life Technique is a superior method for ratemaking.

The use of the Remaining Life Technique in conjunction with the traditional utility rate model provides for a systematic and rational allocation of costs and promotes intergenerational equity – thus making it a superior method, both for accounting purposes and for ratemaking. Specifically, the Remaining Life Technique allocates costs through depreciation over the remaining time the Company’s assets will be in service and accomplishes one of the traditional ratemaking principles of cost causation. This also means theoretical reserve imbalances are recovered from or returned to customers smoothly, in a systematic and rational manner that minimizes rate shock. Moreover, because the book reserve is a reduction to the original cost of plant, there is a built-in smoothing mechanism in the calculation of rate base to account for any potential theoretical reserve imbalance that is deemed to exist, thus promoting intergenerational equity, no matter the size of a theoretical reserve. As such, past, current, and future customers are not harmed from the existence of a theoretical reserve imbalance that develops over many years. Theoretical reserve imbalances have little relevance when the Remaining Life Technique is used.

iii. Relying on a theoretical reserve imbalance to override the Remaining Life Technique poses significant risk to future customers’ prices.

AWEC proposes to treat the theoretical reserve imbalance within PGE’s depreciation study as an actual reserve imbalance, and to override the Remaining Life Technique and its superior

⁵ UM 1809, Order No. 17-365 at 2. It is ironic that in this docket one of AWEC’s complaints is that there was no testimony filed before the Joint Stipulation was entered into.

benefits to customers. More specifically, AWEC proposes to transfer approximately \$180 million of accumulated reserve balances from other functional classes to “buy down” Colstrip, with the remaining approximately \$505 million theoretical reserve imbalance refunded to customers over a 10-year amortization period, and recommended the amortization be revisited in PGE’s next depreciation study to determine whether continued amortization is appropriate.⁶ AWEC’s proposal poses significant risk to future customers’ prices. It is inappropriate for future customers that never received benefits from retired plant to pay for costs driven by its depreciation.

The reserve is called theoretical because it is not based upon actual recorded depreciation resulting from the application of depreciation rates used by the Company and approved by the Commission. AWEC’s position implies that the estimates underlying the theoretical reserve imbalance are completely accurate. Depreciation is a prospective calculation, and thus changes as life and net salvage parameters change in future studies. As the Company moves through time with varying experience (e.g., technology improvements, policy changes, etc.), the theoretical reserve imbalance can change positively or negatively.

There are also reasons why the theoretical reserve imbalance may decrease in the future. The electric industry in Oregon and neighboring states is going through a significant transition from fossil fuels to other energy sources. It is very possible that, as the electric system is updated to incorporate these fuel sources, assets will be replaced at a more rapid pace than has occurred historically. Further, PGE has, in recent years, made significant investments to its Transmission and Distribution systems, and its service territory continues to experience the effects of climate change and severe weather (wildfires in 2020 and a major ice storm in 2021) which result in unanticipated damages to those systems.

⁶ UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 5.

As stated in the Stipulating Parties Exhibit 200,⁷ while AWEC discusses at length the size of the theoretical reserve imbalance, they do not provide any unique circumstances that would require addressing the reserve imbalance more quickly than occurs from using the Remaining Life Technique. The theoretical reserve imbalance is developed over many years and is based on estimates of the future. It, therefore, should not be resolved in a short period of time,⁸ as AWEC proposes. The theoretical reserve imbalance is developed over the entire history of the Company. It is not only the result of what current customers have paid but also many previous generations of customers. It does not mean that there have been intergenerational subsidies. Theoretical reserve imbalances arise as service life and net characteristics evolve over time and do not necessarily mean that any generation of customers “over-” or “under-paid.”

As a result of placing undue significance on the theoretical reserve imbalance, AWEC’s proposal poses significant risk to customers’ prices as explained further below.

- a) AWEC’s proposed “buy down” of Colstrip involves reserve transfers across functional classes that is inappropriate.

It should be noted that AWEC makes it clear that they believe the theoretical reserve imbalance is an actual reserve imbalance. AWEC states that; “[t]hese excess reserves – paid for by past customers – give the Commission a singular opportunity to dramatically reduce the costs and risks to customers of PGE’s interest in Units 3 and 4 of the Colstrip Generating Station (‘Colstrip’).”⁹ This belief is mistaken. Not only is AWEC’s proposal flawed for its undue reliance on theoretical balances, but AWEC’s arguments focus on short-term depreciation expense savings

⁷ UM 2152, Stipulating Parties/200, Peng – Gehrke – Spanos at 7.

⁸ UM 2152 – Stipulating Parties Reply Testimony at 7.

⁹ UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 1.

for the narrow set of customers it represents and would shift costs to a broader set of future customers.

AWEC's proposal to essentially "buy-down" Colstrip requires the arbitrary transfer of \$180 million of reserve balances across functional classes, primarily from Transmission and Other Production (i.e., Natural Gas, and Wind) to Steam Generation assets. This arbitrary transfer will not only violate the regulatory principle of cost causation,¹⁰ but it also violates ORS 757.642 and OAR 860-038-0200 requiring the unbundling of costs into functional categories.

b.) AWEC's proposed "excess reserve" refund promotes intergenerational inequity and rate shock.

AWEC's amortization approach of "excess reserve" balances of up to \$505 million over 10 years is a short-term subsidy for current customers that will result in increased costs for future customers. Any refunds under AWEC's proposal would need to be paid back in the same amount by customers in the form of future depreciation expense recovery, and increased rate base in an equal and offsetting amount. In addition, AWEC's explanation or rationale to support a 10-year amortization period appears to be arbitrary.¹¹

AWEC's proposal will also promote rate shock. As previously noted, PGE expects significant capital investments to its generation, transmission, and distribution assets will be necessary to meet the decarbonization mandates under Oregon House Bill 2021 ("HB 2021") which requires PGE to reduce greenhouse gas emissions by 80% in 2030, 90% by 2035 and 100% by 2040. As proposed, AWEC's subsidy would end in 2032, at which time customers would

¹⁰ Docket No. UCR 191, Order No. 18-430 at 4, ("This represents a traditional application of the fundamental ratemaking principle of cost-causation. In ratemaking, utilities and regulators strive to allocate costs according to causation, meaning that customers should be charged for the costs they cause to the system. The cost-causation principle compares 'the costs assessed against a party to the burdens imposed or benefits drawn by that party.'"), citing *S.C. Pub. Serv. Auth. v. FERC*, 412 U.S. App. D.C. 41, 48, 762 F.3d 41, 48 (2014).

¹¹ AWEC merely states that amortizing a reserve imbalance more quickly is more beneficial. *See*: UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 22.

be required to begin repaying up to \$505 million in depreciation expense, and an equal and offsetting rate base amount (because the accumulated depreciation, and ultimately the rate base, will increase by the same amount it is being amortized). Also, PGE customers will continue to repay the \$180 million used to “buy down” Colstrip, on top of recovery of investments needed to comply with HB 2021 in and around the same time AWEC’s proposed subsidy ends, exacerbating rate impact.

iv. AWEC’s citations from other jurisdictions are not applicable and inappropriate.

In its Opening Brief, AWEC provides citations to 18 jurisdictions that it alleges show that “AWEC’s recommendation reflects accepted practice and has been commonly adopted.”¹² The cases that AWEC cites to can be distinguished from the current case and do not support AWEC’s recommendation as discussed below.

- New York and Ohio use the whole life technique and not the Remaining Life Technique. New Hampshire has used both the whole life and Remaining Life Technique, however, in the case referenced it was depreciation based on the whole life technique at that time. An amortization of a reserve imbalance is often needed when using the whole life technique because, unlike the Remaining Life Technique, there is not an automatic adjustment to address any reserve imbalances.
- The Maryland docket cited by AWEC was for a general rebalancing of reserves rather than an accelerated amortization of a reserve imbalance. Again, an inapposite comparison. The Remaining Life Technique was still used in that case (and other dockets in Maryland).
- The New Jersey case was for a case in which New Jersey moved away from recovering future net salvage in depreciation rates (something Oregon has not done). The amortization

¹² UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 9-12.

cited by AWEC was related to past recoveries of net salvage and not a theoretical reserve imbalance.

The cases in Utah, Idaho, and Wyoming all appear to be related to the same depreciation study for the same utility, PacifiCorp. Notably, PacifiCorp also operates in Oregon and the Commission did not adopt AWEC's approach to a theoretical reserve imbalance for PacifiCorp in Oregon. Additionally, the amortizations of reserves cited by AWEC were, at least in part, related to coal-fired power plants. The lives used in Oregon for these plants have been shorter than those used in Utah, Idaho, and Wyoming (which would result in a higher theoretical reserve and lower reserve imbalance). Further, the lives used in Utah, Idaho, and Wyoming for many of PacifiCorp's coal-fired power plants have since been shortened, meaning that reserve "surpluses" found in 2013 did not actually exist (or at a minimum were much smaller) and amortizing them over a short period of time was likely not a prudent approach.¹³ These amortizations were discontinued in the most recent proceeding because of the extensive change in the reserve imbalance.¹⁴

Further, even in instances in which a proposal similar to AWEC's was adopted, subsequent experience has shown that to be a mistake. On page 12 of its Opening Brief, AWEC discusses a case from Connecticut (CT Docket No. 09-12-05). While a seven-year amortization of the reserve imbalance was adopted in that case, the subsequent depreciation study found a large reserve deficiency (not surplus), which resulted in both higher depreciation expense and a higher rate base.¹⁵ This emphasizes the fact that a theoretical reserve is based on estimates and will change from study to study, and are not actual reserve imbalances as AWEC characterizes it in its

¹³ UM 2152 - October 11, 2021 Hearing Transcript at 109-111 and 115.

¹⁴ *Id.* at 115.

¹⁵ Connecticut Public Utilities Regulatory Authority Docket No. 17-10-46, Testimony of Ned W. Allis, as cited in FERC docket No. ER19-122, Accession No. 20181017-5035, Exhibit No. CL&P-3 at 23.

arguments. A faster amortization can create problems in future studies and result in future customers paying an inequitable share of depreciation costs.

Finally, the oldest of the cases cited by AWEC is from 1990. There have been hundreds, if not thousands, of depreciation studies performed across the country since 1990. The vast majority of these studies have used the Remaining Life Technique.¹⁶ If AWEC can only find 18 examples to support its position from the last three decades – and most are either not relevant to AWEC’s proposal in this proceeding or demonstrate the inappropriateness of AWEC’s proposal – then it is clear that AWEC’s proposal is far from a commonly adopted ratemaking technique and is likely to cause intergenerational inequity and significant harm to future customers by increasing both depreciation and rate base in future cases. The Commission should not be persuaded by the selective, inapplicable precedents from different jurisdictions that AWEC relies upon.

- v. PGE’s depreciation rates have been just and reasonable and have not caused intergenerational inequity, and the method that the Stipulating Parties used to set the depreciation rates in this docket is systematic and rational.

AWEC claims that the existence of the theoretical reserve imbalance has resulted in historically unjust and unreasonable rates that have caused intergenerational inequity.¹⁷ AWEC’s position implies previous depreciation rates for the Company, agreed to by AWEC or its predecessor, and as accepted by the Commission, were “incorrect”. AWEC tries to address this in their Opening Brief by saying their proposal contains a mechanism for “the Commission reevaluate PGE’s excess reserves in its next depreciation study to determine whether continued amortization is appropriate. This will prevent over-amortization of reserves if PGE’s trends reverse direction.”¹⁸

¹⁶UM 2152 - October 11, 2021 Hearing Transcript at 70.

¹⁷ UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 16; 21.

¹⁸ *Id.* at 8.

AWEC, in effect, is proposing a change in ratemaking. This supposed protective provision is an inferior substitute for the already effective Remaining Life Technique which continually smooths customers' prices both in relation to recovery of depreciation expense and return on rate base. This is corroborated by NARUC that imbalances will correct themselves over time.¹⁹ As articulated above, AWEC's purported reserve imbalance is only theoretical, and therefore, AWEC's claim that customers have overpaid for depreciation is only theoretical. AWEC has also conveniently omitted the fact that customers have benefitted from the accumulated reserve as a direct offset to rate base, which as stated previously, is one of the built-in smoothing mechanisms that makes the Remaining Life Technique a superior tool in promoting intergenerational equity for customers.

In previous depreciation dockets, AWEC has agreed that PGE's rates calculated using the Remaining Life Technique are just and reasonable, as has the Commission. To subsequently claim otherwise demonstrates the one-sided nature of AWEC's advocacy in this proceeding.

The Company's historical depreciation rates have been based on periodic depreciation studies in which the Company has presented what it considers to be the best estimates of depreciation based on the information available at the time. Other parties have also had the opportunity to present their estimates based on the same information. The Commission has concluded that the depreciation rates used by the Company were reasonable based on the information available at the time. That is, the book reserve for PGE is based on the depreciation rates that the Commission has historically recognized to be just and reasonable.

AWEC states in its Opening Brief, "The Stipulating Parties have conflated higher rates with inequitable rates."²⁰ Thus, based on AWEC's argument, AWEC has conflated higher, theoretical depreciation rates with inequitable rates, even after considering the superiority of the

¹⁹ *Public Utility Depreciation Practices*, NARUC, 1996, p. 189.

²⁰ UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 21.

Remaining Life Technique in conjunction with the rate base model. That is simply a poor response to the detailed depreciation study and the joint testimony.

- vi. Reserve transfers, like AWEC's proposal, are discouraged by regulatory bodies and this should not be ignored.

AWEC's argument implies that the public statements and actions of regulatory bodies that discourage reserve transfers should be dismissed. The Stipulating Parties believe the following regulatory bodies have issued such statements in order to promote systematic and rationale recovery of expenses and achieve intergenerational equity in ratemaking:

- a) NARUC states that:

“When a depreciation reserve imbalance exists, one should investigate why past depreciation rates, average service lives, salvage, or cost of removal amounts differ from the current estimates. Care should be taken to analyze these effects before correcting for the reserve imbalances. Instances occur where subsequent experience shows the original estimates no longer to be appropriate. It should be noted that only after plant has lived its entire useful life will the true depreciation parameters become known.”²¹ “The desirability of using the Remaining Life Technique is that any necessary adjustments of depreciation reserves, because of changes to the estimates of life and net salvage, are accrued automatically over the remaining life of the property. Once commenced, adjustments to the depreciation reserve, outside of those inherent in the remaining life rate would require regulatory approval.”²²

When one reads the full passage, it is clear that NARUC means that reserve adjustments, like that proposed by AWEC, are not necessary if the Remaining Life Technique is used, as it is in Oregon, because the remaining life automatically corrects any reserve imbalances.

²¹ *Public Utility Depreciation Practices*, NARUC, 1996, p. 189.

²² *Id.* at p. 65.

- b) The Federal Energy Regulatory Commission (“FERC”) rejected the proposed accelerated amortization of reserve in the Progress Energy Florida (now Duke Energy Florida) depreciation study in FERC Docket No. ER11-2584-000 that AWEC cites in support of its proposal. AWEC relies on the following phrase of FERC’s rejection of Florida Power’s accelerated amortization of reserve, “may be acceptable for retail making purposes” and they fail to include the fact that FERC does not view such an adjustment as systematic and rationale, as FERC states such practices “do not conform to our requirements for allocating the costs of utility plant over their service lives”.²³ The Stipulating Parties established at the hearing that depreciation ought to be systematic and rationale and gave the FERC’s definition, “Utilities must use a method of depreciation that allocates in a systematic and rational manner the service value of depreciable property over the service life of the property.”²⁴ AWEC’s proposal is inconsistent with FERC’s definition of depreciation expense to be used for ratemaking purposes.
- c) The Securities and Exchange Commission (“SEC”) has issued similar statements for rate-regulated utilities. PwC’s guide to accounting for Utilities and power companies states, “The SEC staff has stated that reclassifications of accumulated depreciation do not appear to conform to either U.S. GAAP for entities in general or deferral under ASC 980, and that any registrant contemplating such a reclassification should first consult with the SEC’s Office

²³ *Florida Power Corp.*, 136 ¶ 61,033 at P 5 (2011) (July 15 Order).

²⁴ UM 2152 - October 11, 2021 Hearing Transcript at 135-136.

of the Chief Accountant.”²⁵ AWEC claims in their Opening Brief that “there is no evidence to suggest that they [PGE] have suffered financial harm or even increased accounting complexity as a result.”²⁶ AWEC either does not understand accounting rules or is deliberately underplaying the importance of the accounting rules and the complexity in applying their proposal.

Both FERC and SEC make it clear that reclassifications to accumulated depreciation, such as proposed by AWEC, are not appropriate for accounting purposes.

- vii. The Stipulating Parties’ settlement on wind is reasonable, and AWEC’s proposal is technically flawed.

AWEC has misrepresented the process that occurred during discovery and the hearing related to service lives and in particular the wind assets. In a regulatory proceeding, a party is not required to file testimony or address in their brief an issue that they do not disagree with. AWEC’s assertion that the Stipulation only addressed specific accounts is without merit. The Stipulating Parties did not have to address every account that AWEC, in its testimony filed after the Stipulation, proposed different survivor curves because through cross examination on a few accounts it became clear that AWEC’s process was flawed. AWEC’s recommended changes to survivor curves are not supported by credible evidence in the record. The Stipulating Parties position on Account 344.01, Generators – Wind, is supported by the joint testimony and evidence given at the hearing²⁷ and AWEC’s position is not reasonable. AWEC mischaracterizes the key information that led the Stipulating Parties to agree to a 30-R3 interim survivor curve for wind

²⁵*Utilities and Power Companies Guide*, PricewaterhouseCoopers LLP, available at: https://viewpoint.pwc.com/dt/us/en/pwc/accounting_guides/utilities_and_power_/utilities_and_power_US/up_pdf.html (current as of 11/9/2021)

²⁶ UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 24.

²⁷ UM 2152 - October 11, 2021 Hearing Transcript at 40; UM 2152 - October 12, 2021 Hearing Transcript at 19; and Stipulating Parties/100, Peng – Gehrke -- Spanos at 7-8.

generators²⁸. At the hearing Mr. Spanos addressed both interim survivor curve and life span components for wind generators and the reasonableness of the 30-R3 type curve agreed to by the Stipulating Parties.²⁹ But, it is now apparent that AWEC clearly does not understand there is both an interim survivor curve and life span component for wind generation assets. Second, OPUC Staff supplied key information related to the expected life characteristics that could occur to wind generators that needs to be incorporated into the judgment of the interim survivor curve. This provided Staff's position of an average service life of 25 years. PGE included their added input of the service agreements onto the life characteristics and how that affects the depreciable life. This information helped establish the R3-type curve as most appropriate for these assets. Consequently, the 30-R3 interim survivor curve was agreed upon by the Stipulating Parties to meet the overall life cycle of PGE's wind generators with all available information considered. In its Opening Brief, AWEC states,

“Most egregiously, the Stipulation accelerates the average service life for PGE's wind generators to 30 years, based in part on flawed analysis from Commission Staff and their experience of one problem at a non-PGE owned wind facility. This change will materially affect the economics of PGE's current and future wind plants.”

AWEC's claim is false. The 30-R3 type curve was approved in PGE's most recent depreciation case, and therefore is not an acceleration or change of current rates. The adoption of a 30-R3 type curve for this account would result in no change in depreciation rate parameters from the last depreciation study. Notably, AWEC supported this curve as a stipulating party in that case.

²⁸ UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 28-32.

²⁹ UM 2152 - October 12, 2021 Hearing Transcript at 6-7; 15 (interim survivor curve); *id.* at 13; 16-17; 20-23; 41; 44 (life span)

In this case, AWEC incorrectly claims that its proposed 38-R4 curve is a better fit for Account 344.01, Generator – Wind than the Stipulating Parties 30-R3 type curve. The purpose of the survivor curve is to match how the assets are utilized versus how the assets are recovered. In the case of asset classes that are young with limited statistical analysis available, it is imperative that an understanding of future plans or activity of the assets are incorporated. AWEC’s 38-R4 curve clearly does not reflect this information.³⁰ PGE experienced substantial retirements to the assets in Account 344.01, Generators – Wind during 2020 and 2021 amounting to approximately \$7.6 million that clearly support a life shorter than 38 years and a curve that is less than an R4. The 38-R4 estimates a very small percentage of retirements through age 15 which is not consistent with the utilization of the assets in the account. AWEC’s proposal for this account is not reliable and is not a reasonable matching of asset utilization to asset recovery.

viii. Other arguments in response to AWEC claims.

Regarding the identification and size of the theoretical reserve imbalance, AWEC claims that it “could not raise this issue within the context of settlement.”³¹ At best, this means AWEC was not prepared for the settlement conference, since the theoretical reserve imbalance as a percentage of calculated accumulated depreciation (“CAD”) can be easily and quickly recalculated based on the data provided in “Part IX. Detailed Depreciation Calculations” of PGE’s Detailed Depreciation Study filed in January 2021.

Additionally, AWEC did not provide a complete analysis to reflect the impact of their proposed theoretical reserve imbalance adjustment. Specifically, Mr. Kaufman has not provided adequate documentation of depreciation rates that result from his recommendation, nor has he incorporated his recommendations into the development of reasonable depreciation rates.

³⁰ UM 2152 - October 11, 2021 Hearing Transcript at 32.

³¹ UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 1.

In Opening Briefs, AWEC attempts to defend this lack of analysis and documentation by stating that “[t]he reason Dr. Kaufman did not calculate depreciation rates for PGE was to avoid the very type of controversy the Stipulating Parties raise over whether those rates were correctly calculated.”³² This argument has no merit since any depreciation rates proposed by any party to this docket would rightfully need to be reviewed to ensure they are correctly calculated.

IV. Conclusion

WHEREFORE, the Stipulating Parties respectfully request that the Commission issue an order adopting the Stipulation.

DATED this 10th day of November, 2021.

Respectfully submitted,



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³² UM 2152, Opening Brief of the Alliance of Western Energy Consumers at 36.

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Utility Commission of Oregon