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October 25, 2021

## *Via Electronic Filing*

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High St. SE, Suite 100  
Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC CO.  
Request for a General Rate Revision.  
**Docket No. UE 394**

Dear Filing Center:

Please find enclosed the Joint Opening Boardman Deferral Testimony of Bradley G. Mullins on behalf of the Alliance of Western Energy Consumers and William Gehrke on behalf of the Oregon Citizens' Utility Board (AWEC-CUB/100-102) in the above-referenced docket.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch  
Jesse O. Gorsuch

Enclosures

**BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON**

**UE 394**

In the Matter of )  
 )  
Portland General Electric Company, )  
 )  
Request for a General Rate Revision. )  
 )  
\_\_\_\_\_ )

**OPENING BOARDMAN DEFERRAL TESTIMONY OF**

**BRADLEY G. MULLINS**

**ON BEHALF OF**

**ALLIANCE OF WESTERN ENERGY CONSUMERS**

**and**

**WILLIAM GEHRKE**

**ON BEHALF OF**

**THE OREGON CITIZENS' UTILITY BOARD**

**October 25, 2021**

1 **Q. PLEASE STATE YOUR NAMES, OCCUPATION AND THE PARTY YOU ARE**  
2 **REPRESENTING.**

3 A. My name is Bradley G. Mullins. I am a consultant representing utility customers before state  
4 public utility commissions in the Northwest and Intermountain West. I am testifying on behalf  
5 of the Alliance of Western Energy Consumers (“AWEC”). My witness qualification statement  
6 can be found at Exhibit AWEC/101.

7 My name is William Gehrke. I am an economist, that is employed by the Oregon  
8 Citizens’ Utility Board. My witness qualification statement can be found in UE 394 -  
9 Stipulating Parties/100/7.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. We discuss the revenue implications associated with the retirement of the Boardman coal fired  
12 generation facility. Boardman was retired and removed from service on October 15, 2020. On  
13 October 8, 2020, AWEC and CUB filed an application in Docket No. UM 2119 requesting the  
14 Commission defer the revenue impacts associated with the Boardman retirement. While the  
15 Administrative Law Judge denied CUB and AWEC’s motion to consolidate the Boardman  
16 deferral in UM 2119 with this rate case, the ruling also specifies that “[e]ven absent  
17 consolidation, the parties remain free to address any number of pending deferrals or  
18 amortizations within a comprehensive settlement process in this proceeding.”<sup>1/</sup>

19 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATION**

20 A. Based on discovery provided by PGE, we have calculated that the rates established in UE 335,  
21 PGE’s last general rate case, include at least \$89,549,246 per year of revenue in connection

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<sup>1/</sup> Docket Nos. UE 394 & UM 2119, Ruling at 3 (Oct. 25, 2021).

1 with the retirement of Boardman. As of the May 1, 2022 rate effective date in this docket,  
2 \$146,104,779 of funds will have accrued to the deferral balance in connection with the closure  
3 of Boardman. We recommend that these amounts be amortized to the benefit of ratepayers  
4 over a three-year period through Schedule 145 and earn interest at the Modified Blended  
5 Treasury Rate (“MBT”), or \$49,638,214 per year.

6 **Q. AS A POLICY MATTER, WHY DO AWEC AND CUB BELIEVE IT IS IMPORTANT**  
7 **TO CONSIDER THE BENEFITS OF COAL PLANT RETIREMENTS?**

8 A. Ratepayers have been required to bear significant costs in connection with accelerating the  
9 closure of coal plants throughout the west. This case is no exception, as PGE is seeking to  
10 recover additional costs in connection with accelerated closure of Colstrip Units 3 and 4.  
11 Given the costs which have been passed onto customers to facilitate these early closures, it is  
12 imperative that the benefits associated with the early closures begin to be passed on to  
13 ratepayers as soon as they begin to be realized, including removing the coal plant balances  
14 from rate base and removing the associated operating expenses from revenue requirement.  
15 CUB and AWEC’s proposal furthers the matching principle—a key component of equitable  
16 ratemaking treatment.

17 With the expectation that more coal plant retirements will occur in the future, it is  
18 important to both AWEC and CUB to establish a clear precedent that ratepayers will recognize  
19 100% of the benefits associated with the early closure of coal plants, and that utilities not be  
20 allowed to continue to recover the added cost associated with accelerating the plant closure  
21 following the retirement and after customers stop receiving the benefits of these plants. Given  
22 the amount of depreciation expense at stake, even a one-month delay in passing the benefits  
23 onto ratepayers can result in ratepayers overpaying for the cost of the early retirement by a

1 significant margin. In the case of Boardman, PGE was recovering \$29,209,000 per year in  
2 depreciation expense alone, and thus, ratepayers will otherwise overpay the Boardman plant  
3 balances by \$2,434,083 for each month that the benefits are not returned to ratepayers; that's  
4 \$81,136 per day. That also excludes other costs savings, such as reduced operating expenses.

5 **Q. ARE THE COSTS ASSOCIATED WITH EARLY RETIREMENTS BEING PASSED**  
6 **ON TO RATEPAYERS?**

7 A. Yes. Other than depreciation expense, the increased costs associated with replacing the retired  
8 coal plant, in the form of increased power costs or new resource acquisitions, are fully  
9 recoverable by the utility. The increase in net power costs associated with the Boardman  
10 retirement, for example, was considered in the context of PGE's 2020 Annual Update Tariff  
11 filing.

12 In addition, PGE has acquired several replacement resources, such as Tucannon Wind  
13 and the Wheatridge Wind renewable energy facility. PGE was able to begin recovering the  
14 costs of both of these resources on the date that they were placed into service through the  
15 Renewable Adjustment Clause ("RAC"). In terms of equity, if ratepayers must be responsible  
16 for the additional costs of new renewable resources acquired pursuant to state renewable policy  
17 through the RAC, it follows that ratepayers must also get the benefit of retiring coal resources  
18 pursuant to state policy at the time the resources are deferred. If the Company is able to ensure  
19 dollar for dollar recovery of resources through the RAC on the front of the investment, it is  
20 reasonable for customers to expect that benefits be allocated in a similar manner on the back  
21 end of utility investments.

1 **Q. DID IDAHO POWER MAKE A RATE ADJUSTMENT IN CONNECTION WITH THE**  
2 **BOARDMAN RETIREMENT?**

3 A. Yes. Idaho Power was a 10% owner of Boardman. In Advice Filing 1179, it made a rate  
4 adjustment proposal to reduce rates in Oregon corresponding to the retirement of Boardman.  
5 Idaho Power's application stated "the Company's request to remove from customer rates  
6 revenue requirement amounts associated with Boardman, as coal-fired operations will cease  
7 October 31, 2020," although the facility ultimately closed 16 days earlier on October 15, 2020.  
8 The Commission approved Idaho Power's request to remove Boardman from rates on October  
9 20, 2020, adopting Commission Staff's October 12, 2020 recommendation.

10 Similarly, in Idaho Power also made a rate adjustment in Idaho to remove the revenue  
11 requirement associated with Boardman from rates. On August 21, 2020, Idaho Power filed and  
12 application in Case No. IPC-E-20-32, In the Matter of Idaho Power Company's Application for  
13 Authority to Decrease Its Rates for Electric Service for Costs Associated With the Boardman  
14 Power Plant, where it also requested to remove the costs associated with the Boardman  
15 included in its Idaho rates. Our proposal seeks to align the regulatory treatment of both PGE  
16 and Idaho Power's share of the plant.

17 **Q. COULD PGE HAVE MADE A SIMILAR FILING IN OREGON?**

18 A. Yes. There is no reason why PGE could not have made a similar proposal in Oregon, rather  
19 than leaving it to its customers to seek a refund of the impacts associated with the retirement.

20 **Q. IS IT CONSISTENT WITH OREGON'S USED AND USEFUL STATUTE TO ALLOW**  
21 **PGE THE OPPORTUNITY TO RECOVER THE COST OF BOARDMAN**  
22 **FOLLOWING ITS RETIREMENT?**

23 A. While we are not attorneys, we understand that ORS 757.355 provides that no utility may,  
24 "directly or indirectly ... collect or receive from any customer rates that include the costs of ...

1 property not presently used for providing utility service to the customer.” Thus, allowing PGE  
2 to continue to recover the cost associated with Boardman after it has ceased operation may  
3 violate Oregon law. CUB and AWEC will address this issue further in briefing.

4 **Q. IS IT APPROPRIATE TO DEFER THE REVENUE IMPACTS OF THE**  
5 **RETIREMENT?**

6 A. Yes. Under ORS 757.529(2)(e), the Commission may approve deferrals “to match  
7 appropriately the costs borne by and benefits received by ratepayers.” In this instance,  
8 ratepayers were not benefiting from Boardman following its October 15, 2020 closure date  
9 since the resource was no longer serving customers. Therefore, it is not appropriate for  
10 ratepayers to pay for the cost of that resource following that date.

11 **Q. WHAT AMOUNT OF REVENUE WAS INCLUDED IN RATES IN UE 335 IN**  
12 **CONNECTION WITH BOARDMAN?**

13 A. In Response to AWEC Data Request 32, attached as AWEC-CUB/101, PGE identified the  
14 individual revenue requirement components of Boardman included in revenue requirement in  
15 UE 335. Those revenue requirement values, along with the corresponding revenue  
16 requirement impacts are detailed in Table 1, below.

**Table 1**  
*Impact of Boardman Retirement on Revenue Requirement*  
*Boardman Revenue Requirement Included In UE 335*  
*Per PGE Resp. To AWEC D.R. 32*  
*Whole Dollars*

1	Depreciation Expense	AWEC DR 32	29,209,000
2	Labor O&M		11,674,504
3	Non-Labor O&M	\	17,645,453
4	Property Taxes	[(6)+[7])*1.45%	522,387
5	Tax Benefit of Int.	-[11]*[17]*50%*[19]	(388,421)
6	<b>Total Operating Expense</b>	Sum([1]:[5])	<b>59,051,344</b>
7	Gross Plant	AWEC DR 32	515,948,390
8	Accumulated Depreciation		(479,921,727)
9	Accumulated Deferred Tax		14,434,882
10	Fuel Stock	\	5,639,588
11	<b>Total Rate Base</b>	Sum([6]:[9])	<b>56,101,133</b>
12	Required Return	[10]*[16]	4,095,383
13	Post-Tax Rev. Req.	[11]+[5]	63,146,726
14	<b>Pre-Tax Rev. Req</b>	[12]/[18]	<b>89,549,246</b>
15	Cost of Capital:		
16	Equity	UE 335 1st Stlmnt.	9.50%
17	Debt		5.10%
18	Cost of Capital @ 50/50	\	7.30%
19	Tax Rate	UE 335 Wrkpprs.	0.2715
20	Revenue Conversion Factor	\	0.7052

1                    Thus, based on the above calculation, ratepayers have overpaid by \$89,549,246 per  
2                    year in connection with the Boardman retirement. Per month, that equates to \$7,462,437.

3   **Q.   HOW MUCH WILL HAVE ACCRUED TO THE BOARDMAN DEFERRAL AS OF**  
4   **THE RATE EFFECTIVE DATE IN THIS DOCKET?**

5   A.   If the Commission approves amortization of the Boardman deferral beginning on the rate-  
6                    effective date of this proceeding, it will be in effect for 18.5 months. We recommend that this



1 deferral accrue interest at the Company's authorized rate of return during the deferral period,  
2 consistent with the treatment for deferrals approved in Docket UM 1147. After considering  
3 interest, the deferral balance will equal \$146,104,779 on May 1, 2022. This calculation may be  
4 found in AWEC-CUB/102.

5 **Q. HOW DO YOU RECOMMEND AMORTIZING THE BALANCES?**

6 A. The amortization calculation may be found in AWEC-CUB/102. We recommend amortizing  
7 the balances over a three-year period through Schedule 145. During the amortization period,  
8 we recommend the deferral carry interest at the Commission MBT interest rate. For purposes  
9 of calculating the amortization payment, we used the 2021 MBT. As can be noted, this  
10 calculation produces amortization of \$4,136,518 per month or \$49,638,214 per year.

11 **Q. DOES THIS CONCLUDE YOUR JOINT OPENING TESTIMONY?**

12 A. Yes.

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**UE 394**

In the Matters of )  
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PORTLAND GENERAL ELECTRIC )  
COMPANY, )  
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**EXHIBIT AWEC-CUB/101**

**PGE RESPONSE TO AWEC DATA REQUEST NO. 32**

August 25, 2021

To: Jesse O. Gorsuch  
Alliance of Western Energy Consumers

From: Jaki Ferchland  
Manager, Revenue Requirement

Portland General Electric Company  
UE 394  
PGE Response to AWEC Data Request 032  
Dated August 11, 2021

**Request:**

Please provide the following for the Boardman Power Plant from the final revenue requirement established in UE 335:

- a. Depreciation Expenses
- b. Wages and Salaries
- c. Non-labor O&M,
- d. Property Taxes
- e. Fuel Stock.
- f. Gross Plant
- g. Accumulated Depreciation
- h. ADIT

**Response:**

The following table provides Boardman-related amounts forecast and included in the initial filing for Docket No. UE 335, PGE's 2019 test year general rate case. Please note that the final UE 335 revenue requirement used to set prices included a number of blackbox settlement amounts that reduced PGE's overall revenue requirement and could be considered partially associated with Boardman's forecasted costs. In particular, there were reductions to PGE's Production O&M of approximately \$1.7 million and PGE's overall revenue requirement of \$20 million.

**UE 335 Initial Forecast**

Boardman Amounts	Forecast as of 12/31/2018 <sup>1</sup>	2019 Forecast
Depreciation Expense		\$29,209,000
Labor O&M		\$11,674,504
Non-Labor O&M		\$17,645,453
Property Taxes		1.45% <sup>2</sup>
Fuel	\$5,639,588	
Gross Plant	\$515,948,390	
Accumulated Reserve	\$(479,921,727)	
Deferred Tax	\$14,434,882	

1. All forecasted rate base items relied upon a forecast of ending balances as of December 31, 2018.
2. When developing the forecast of property tax expense for UE 335, PGE did not separately identify property tax expense for Boardman. As such, we are providing the blended rate used for the majority of PGE's assets, which was multiplied against a forecast of their net plant values.

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**EXHIBIT AWEC-CUB/102**

**BOARDMAN DEFERRAL CALCULATIONS**

Calculation of Boardman Deferral and Amortization

Month	Beg.Balance	Accural	Amortization	Interest Rate	Interest	Ending Balance
10/1/2020	-	3,731,219		7.30%	11,349	3,742,568
11/1/2020	3,742,568	7,462,437		7.30%	45,466	11,250,470
12/1/2020	11,250,470	7,462,437		7.30%	91,139	18,804,046
1/1/2021	18,804,046	7,462,437		7.30%	137,090	26,403,573
2/1/2021	26,403,573	7,462,437		7.30%	183,320	34,049,330
3/1/2021	34,049,330	7,462,437		7.30%	229,832	41,741,599
4/1/2021	41,741,599	7,462,437		7.30%	276,626	49,480,662
5/1/2021	49,480,662	7,462,437		7.30%	323,706	57,266,805
6/1/2021	57,266,805	7,462,437		7.30%	371,071	65,100,313
7/1/2021	65,100,313	7,462,437		7.30%	418,725	72,981,476
8/1/2021	72,981,476	7,462,437		7.30%	466,669	80,910,582
9/1/2021	80,910,582	7,462,437		7.30%	514,904	88,887,923
10/1/2021	88,887,923	7,462,437		7.30%	563,433	96,913,793
11/1/2021	96,913,793	7,462,437		7.30%	612,257	104,988,488
12/1/2021	104,988,488	7,462,437		7.30%	661,378	113,112,303
1/1/2022	113,112,303	7,462,437		7.30%	710,798	121,285,538
2/1/2022	121,285,538	7,462,437		7.30%	760,519	129,508,494
3/1/2022	129,508,494	7,462,437		7.30%	810,542	137,781,473
4/1/2022	137,781,473	7,462,437		7.30%	860,869	146,104,779
5/1/2022	<b>146,104,779</b>		(4,136,518)	1.24%	150,975	142,119,236
6/1/2022	142,119,236		(4,136,518)	1.24%	146,857	138,129,575
7/1/2022	138,129,575		(4,136,518)	1.24%	142,734	134,135,791
8/1/2022	134,135,791		(4,136,518)	1.24%	138,607	130,137,880
9/1/2022	130,137,880		(4,136,518)	1.24%	134,476	126,135,838
10/1/2022	126,135,838		(4,136,518)	1.24%	130,340	122,129,660
11/1/2022	122,129,660		(4,136,518)	1.24%	126,201	118,119,343
12/1/2022	118,119,343		(4,136,518)	1.24%	122,057	114,104,882
1/1/2023	114,104,882		(4,136,518)	1.24%	117,908	110,086,273
2/1/2023	110,086,273		(4,136,518)	1.24%	113,756	106,063,511
3/1/2023	106,063,511		(4,136,518)	1.24%	109,599	102,036,592
4/1/2023	102,036,592		(4,136,518)	1.24%	105,438	98,005,512
5/1/2023	98,005,512		(4,136,518)	1.24%	101,272	93,970,266
6/1/2023	93,970,266		(4,136,518)	1.24%	97,103	89,930,851
7/1/2023	89,930,851		(4,136,518)	1.24%	92,929	85,887,262
8/1/2023	85,887,262		(4,136,518)	1.24%	88,750	81,839,494
9/1/2023	81,839,494		(4,136,518)	1.24%	84,567	77,787,544
10/1/2023	77,787,544		(4,136,518)	1.24%	80,380	73,731,406
11/1/2023	73,731,406		(4,136,518)	1.24%	76,189	69,671,078
12/1/2023	69,671,078		(4,136,518)	1.24%	71,993	65,606,553
1/1/2024	65,606,553		(4,136,518)	1.24%	67,793	61,537,829
2/1/2024	61,537,829		(4,136,518)	1.24%	63,589	57,464,900
3/1/2024	57,464,900		(4,136,518)	1.24%	59,380	53,387,763
4/1/2024	53,387,763		(4,136,518)	1.24%	55,167	49,306,412
5/1/2024	49,306,412		(4,136,518)	1.24%	50,950	45,220,844
6/1/2024	45,220,844		(4,136,518)	1.24%	46,728	41,131,055
7/1/2024	41,131,055		(4,136,518)	1.24%	42,502	37,037,039
8/1/2024	37,037,039		(4,136,518)	1.24%	38,272	32,938,793
9/1/2024	32,938,793		(4,136,518)	1.24%	34,037	28,836,312
10/1/2024	28,836,312		(4,136,518)	1.24%	29,798	24,729,591
11/1/2024	24,729,591		(4,136,518)	1.24%	25,554	20,618,627
12/1/2024	20,618,627		(4,136,518)	1.24%	21,306	16,503,415
1/1/2025	16,503,415		(4,136,518)	1.24%	17,054	12,383,951
2/1/2025	12,383,951		(4,136,518)	1.24%	12,797	8,260,230
3/1/2025	8,260,230		(4,136,518)	1.24%	8,536	4,132,248
4/1/2025	4,132,248		(4,136,518)	1.24%	4,270	0