

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1373

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	ORDER
COMPANY)	
)	
Application for Deferral of Investigation and)	
Remediation Response Costs Associated with)	
the Portland Harbor and Harbor Oil Superfund)	
Sites Cleanup and Restoration.)	

DISPOSITION: APPLICATION APPROVED

On March 31, 2008, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) for deferral of costs associated with the remediation for Portland Harbor and Harbor Oil Superfund Sites effective March 31, 2008, for a 12-month period for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

PGE’s request is made pursuant to ORS 757.259 and OAR 860-027-0300. A further description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

At its Public Meeting on February 3, 2009, the Commission adopted Staff’s recommendation.

ORDER

IT IS ORDERED that:

1. Portland General Electric Company’s application to defer costs associated with the remediation for Portland Harbor and Harbor Oil Superfund Sites, effective March 31, 2008, is approved.

2. Ratemaking treatment shall be reserved for a ratemaking proceeding.

Made, entered, and effective FEB 06 2009.

BY THE COMMISSION:



Becky L. Beier
Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 3, 2009**

REGULAR _____ CONSENT X EFFECTIVE DATE March 31, 2008

DATE: January 15, 2009

TO: Public Utility Commission

FROM:  Lisa Gorsuch

THROUGH:  Lee Sparling,  Ed Busch, and  Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1373) Requests deferral of costs associated with remediation for Portland Harbor and Harbor Oil Superfund Sites.

STAFF RECOMMENDATION:

Staff recommends that Portland General Electric's (PGE or Company) request to defer costs associated with the remediation for Portland Harbor and Harbor Oil Superfund Sites, be approved with an effective date of March 31, 2008, for a 12-month period for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

On March 31, 2008, PGE requested authorization pursuant to ORS 757.259 and OAR 860-027-0300 to defer costs associated with the remediation for Portland Harbor and Harbor Oil Superfund Sites, effective March 31, 2008. The Company requested to defer all environmental costs, including but not necessarily limited to, the cost related to investigation, study monitoring, oversight, legal expenses, remediation costs (environmental costs), and all costs related to pursuing any contribution associated with PGE's allocated share of liability in the Portland Harbor and Harbor Oil Superfund Sites.

Background

Portland Harbor is a heavily industrialized stretch of the Willamette River north of downtown Portland, Oregon, that was listed on the National Priorities List (Superfund) in December 2000. Sediments in the river are contaminated with various toxic compounds, including metals, polycyclic aromatic hydrocarbons (PAHs), polychlorinated biphenyls

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(PCBs), chlorinated pesticides and dioxin. Levels of these pollutants in the river appear to be highest near contaminated sites that sit adjacent to the river on the shore (often referred to as "upland" sites).

The EPA commenced investigation of the site in 1997, and based upon that investigation, PGE was sent a Notice of Potential Liability formally identifying them as a Potentially Responsible Party (PRP) along with sixty-eight other parties. There are now hundreds of other parties under investigation and the EPA has assigned approximately eighty parties formal PRP status. Currently, PRPs are conducting a Remedial Investigation/Feasibility Study (RI/FS) of the site.

The US Environmental Protection Agency (EPA), Department of Environmental Quality (DEQ), and many other agencies, tribal governments, community groups and companies are working to investigate and clean up contamination in Portland Harbor. The EPA is the lead agency responsible for investigating and cleaning up contaminated sediments in the river itself, and the DEQ is the lead agency for investigating and cleaning up contamination on upland sites, working with individual property owners. Both EPA and DEQ are coordinating closely with six Tribal governments and other natural resource trustees. The trustees are designated by law to act on behalf of the public or Tribes to protect and manage natural resources.

Harbor Oil, located at 11535 N. Force Avenue, in Portland, Oregon, was added to the US EPA's National Priorities List in September 2003. Soil at the site is contaminated with oil, gas, diesel, metals, pesticides, PCBs, and other hazardous substances. Contamination from the site may pose a risk to Force Lake and adjacent wetlands. EPA is currently overseeing a RI/FS to learn more about contamination at the Harbor Oil site and determine what needs to be done to protect people and wildlife. A waste oil reprocessing facility is currently operating on the site.

PGE received a Special Notice Letter for a RI/FS from the EPA, dated June 27, 2005, in which the Company was named one of the fourteen PRPs with respect to the Harbor Oil site. The letter started a period for the PRPs to participate in negotiations with the EPA to reach a settlement to conduct or finance a RI/FS of the Harbor Oil site. On May 31, 2007, an Administrative Order on Compliance was signed by the EPA and six other parties, including PGE, to implement a RI/FS at the Harbor Oil site. The final revised work plan for the RI/FS has been submitted to the EPA. Site access agreements are being negotiated with surrounding properties and the site operator.

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Reason for Deferral

PGE has proposed that deferring the accounting treatment of the potential expenses associated with these environmental costs will minimize the frequency of rate changes and the fluctuation of rate levels. The Company does not seek amortization of these costs at this time, but will separately request the Commission to consider amortization at a later date.

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in Federal Energy Regulatory Commission (FERC) account 182.3, Other Regulatory Assets, with a credit to FERC account 407.4, Regulatory Credits. In the absence of a deferred accounting order from the Commission, PGE would record the environmental costs of internal PGE labor to FERC account 920, Administrative and General Salaries, and the costs of outside services (e.g. consulting) to FERC account 923, Outside Services Employed.

Estimate of Amounts

At this time, accurate estimates for the potential liability for investigation and remediation costs associated with PGE's potential allocation of liability as well as potential insurance recovery are unknown.

Staff supports approval of this deferral, but cost recovery for prudent expenditures should be limited to amounts that are incremental to what is already in rates and potential insurance recovery. That determination would be made in a future rate proceeding.

PROPOSED COMMISSION MOTION:

PGE's request to defer costs associated with the remediation for Portland Harbor and Harbor Oil Superfund Sites, be approved with an effective date of March 31, 2008, for a 12-month period, for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

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