

ORDER NO.

11 242

ENTERED

JUL 05 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 230

In the Matter of

PORTLAND GENERAL ELECTRIC

Advice No. 11-07 Schedule 145 Boardman
Adjustment Update.

ORDER

DISPOSITION: REQUEST ALLOWED WITH CONDITIONS

On April 4, 2011, Portland General Electric Company (PGE) filed Advice No. 11-07 with the Public Utility Commission of Oregon (Commission), requesting to revise Schedule 145 to adjust depreciation rates related to Boardman decommissioning.

A full description of the filing, its procedural history, and Staff's recommendation are contained in the Staff Report, attached as Appendix A and incorporated by reference.

At its public meeting on June 21, 2011, the Commission adopted Staff's recommendation to approve Portland General Electric's (PGE) request to increase rates, effective July 1, 2011, in order to include in the Company's revenue requirement the increase in depreciation/amortization expense and the decommissioning costs related to the planned Boardman plant closure changing from the year 2040 to the year 2020 subject to the conditions listed in Appendix A. Condition 3 required an attestation before June 30, 2011, that the U.S. Environmental Protection Agency has adopted the Oregon Environmental Quality Commission's rule revisions. On June 23, 2011, the proper attestation was received.

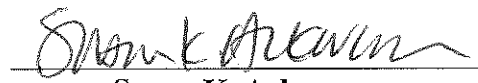
ORDER

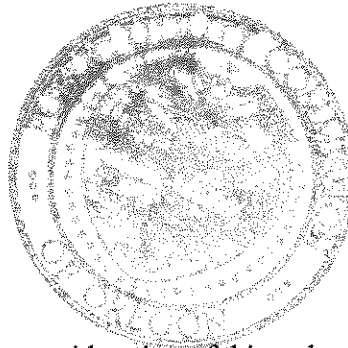
IT IS ORDERED that Portland General Electric's (PGE or Company) request to increase rates, effective July 1, 2011, in order to include in the Company's revenue requirement the increase in depreciation/amortization expense and the decommissioning costs related to the planned Boardman plant closure changing from the year 2040 to the year 2020 is allowed subject to the following conditions:

1. Beginning June 15, 2012, PGE will submit an annual informational report to all parties in the UE 230 proceeding that will include the current balance of dollars collected for decommissioning and any relevant changes to PGE forecasts of future decommissioning costs;
2. PGE shall submit its November 1st Annual Update as a supplemental filing to this docket (UE 230).

Made, entered, and effective JUL 05 2011.


John Savage
Commissioner


Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 21, 2011

REGULAR X CONSENT _____ EFFECTIVE DATE July 1, 2011

DATE: June 13, 2011

TO: Public Utility Commission

FROM: ^{CB}Carla Bird and ^{MP}Ming Peng

THROUGH: ^{li}Lee Sparling, ^{ME}Maury Galbraith, ^AMarc Hellman, ^{JJ}Judy Johnson, and
Steve Storm ^{SS}

SUBJECT: PORTLAND GENERAL ELECTRIC: (UE No. 230/Advice No. 11-07)
Revises Schedule 145 to Adjust Depreciation Rates related to Boardman
Decommissioning.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) request to increase rates, effective July 1, 2011, in order to include in the Company's revenue requirement the increase in depreciation/amortization expense and the decommissioning costs related to the planned Boardman plant closure changing from the year 2040 to the year 2020 subject to the following conditions:

1. Beginning June 15, 2012, PGE will submit an annual informational report to all parties in the UE 230 proceeding that will include the current balance of dollars collected for decommissioning and any relevant changes to PGE forecasts of future decommissioning costs;
2. PGE shall submit its November 1 annual update as a supplemental filing to this docket (UE 230); and
3. On or before June 30, 2011, PGE will provide documentation in the form of an attestation from one of PGE's officers that the U.S. Environmental Protection Agency (EPA) has adopted the Oregon Environmental Quality Commission's (OEQC) rule revisions. If the EPA rejects the OEQC's rule revisions or if the EPA's revisions impact PGE in a way that would require modifications to this application, PGE will either withdraw this request or file for an extension to allow for modifications to the application.

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DISCUSSION:

Background:

Commission Order No. 10-478 (Docket No. UE 215) authorized PGE's request for Schedule 145, a tariff designed to recover increased depreciation/amortization expense and decommissioning costs associated with the early closure of its Boardman Coal Plant. Schedule 145 became effective January 1, 2011, with zero rates in place, coincident with other rates resulting from PGE's general rate case.

The Oregon Regional Haze Plan and Oregon Utility Mercury Rule requirements for Boardman caused PGE to examine the risks and benefits of making substantial investments in new emissions controls against the risks and benefits of ceasing plant operations. PGE presented several scenarios to the Commission in the course of its most recent IRP process.

On November 23, 2010, the Commission acknowledged PGE's 2009 IRP in Commission Order No. 10-457. On December 9, 2010, OEQC approved rule revisions requiring a reduction in the Boardman's plant's emission of nitrous oxides (NO_x) and of sulphur dioxides (SO₂), and the cessation of coal-fired operations by the end of 2020.

The OEQC then submitted the rule revisions to the EPA as a revision to Oregon's Clean Air Act. These revisions are now subject to EPA approval, which was expected in May 2011. As of the date of this writing, the rule revisions are now expected to be issued on June 15, 2011, but will not be published until June 30, 2011.

It is essential that the Commission have full knowledge of the EPA's decision on OEQC's rule revisions prior to implementation of rates that accelerate the depreciation of the plant for a planned closure in 2020. Should the EPA reject the rule revisions, the rates in this application would no longer be appropriate.

PGE has committed to providing documentation, in the form of an attestation from one of its officers, on or before June 30, 2011, confirming EPA's decision to adopt OEQC's rule revisions. If the EPA rejects the OEQC's rule revisions or if the EPA's revisions impact PGE in a way that would require modifications to this application, PGE agrees to either withdraw this request or file for an extension to allow for modifications to the application.

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Rate Determination:

In Docket No. UE 215, PGE determined the annual depreciation expense for Boardman to be approximately \$6.1 million on an annual basis (including decommissioning costs and the Boardman coal cars). Since the future of the Boardman plant cannot be determined until after the EPA decision discussed above, PGE proposed that Schedule 145 be adopted in UE 215 as a zero tariff adjustment schedule in order to enable PGE to update depreciation expense based on the final determination of the plant closure date. Schedule 145 was adopted in Commission Order No. 10-478.

In addition, Exhibit 300 of PGE's original UE 215 application states that PGE would seek an update to the estimates in its decommissioning cost study in the event that the end of the Boardman plant's operating life was reduced from the year 2040. In January 2011, PGE contracted with Black and Veatch (B&V) to conduct a new decommissioning study which was completed in March of 2011. B&V estimated approximately \$80 million for total decommissioning less salvage costs, stated in 2010 dollars, for the entire Boardman plant, including coal cars.

PGE did not include the decommissioning costs related to the coal car operation in this filing, choosing instead to include these values as a part of its Annual Update Tariff because coal car depreciation expense is currently a portion of that tariff.

Once the value of decommissioning the coal car operation has been removed from the total \$80 million decommissioning costs as determined by B&V, PGE further reduces B&V's estimate for savings resulting from the use of alternative decommissioning methods. As an example of an alternative decommissioning method, rather than completely removing the ash pile associated with the coal plant, PGE proposes to cover and cap the pile. This alternative method reduces the overall estimate provided by B&V by approximately \$21 million. Additionally, for purposes of determining the tariff rates, PGE escalates the total decommissioning estimate from 2010 dollars to 2020 dollars and then allocates total costs to PGE and the other owners. PGE estimates its total share of decommissioning costs, less its share of the coal car operation, to be approximately \$44.8 million in 2020 dollars.

To date, PGE has collected approximately \$24.1 million from ratepayers to be applied to the decommissioning cost for the Boardman plant. Based on PGE's estimate of \$44.8 million for its share of total decommissioning costs less its share of the coal car operation, the incremental decommissioning costs associated with this filing represent approximately \$20.7 million.

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On April 4, 2011, PGE filed Advice 11-07 requesting to implement a rate adjustment to recover approximately \$143.2 million¹ in Boardman's net remaining plant balance plus the estimated \$20.7 million in additional decommissioning and other plant-related costs in anticipation of a full-plant closure in the year 2020. PGE proposed that the rate implementation be effective June 1, 2011, in order to recover these amounts and that the Company be allowed to update this tariff on an annual basis.

On April 19, 2011, Staff met with PGE, the Citizens' Utility Board and the Industrial Customers of Northwest Utilities (hereinafter referred to as the Parties) to discuss PGE's filing and to review the amounts requested in the application. The Parties agreed that the June 1, 2011, implementation date would not provide adequate time to review PGE's request given that the amounts were based upon a completely new decommissioning study. PGE agreed to allow a 30-day extension, or a July 1, 2011, implementation date, in order to allow Parties to further review the application.

Terms of Agreements:

During further discussions, PGE agreed to separately track the incremental decommissioning costs (approximately \$20.7 million) in sub-accounts to FERC Accounts 108, 230 and 254. This separate accounting will serve as an easy means by which to audit the balance and will separately track revenues intended to cover decommissioning costs. In addition, beginning June 15, 2012, PGE has agreed to submit an annual informational report to all UE 230 parties that will include the current balance of dollars collected for decommissioning and any relevant changes to PGE's forecasts of future decommissioning costs. This informational report will provide Staff and intervenors the opportunity to review any changes PGE may request in advance of its November 1 annual update. Finally, PGE also agrees to submit its November 1 annual update as a supplemental filing in this docket (UE 230).

Requiring PGE to separately account for the decommissioning costs will provide greater transparency for regulatory tracking. Both the June 15 informational report and the November 1 annual update will allow Staff and intervenors an opportunity to review and monitor changes during the shortened life of this asset. Furthermore, if PGE proposes to revise the rate increment related to decommissioning, any dispute over the Company's request can be more easily processed in UE 230 than in a 30-day Advice filing.

¹ Net Plant balance as of May 31, 2011.

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PGE's original application estimated the net remaining plant values² for the Boardman plant at approximately \$143.2 million as of May 31, 2011. In its updated filing submitted on May 27, 2011, net plant values as of June 30, 2011³ are estimated to be approximately \$142.9 million.⁴ Adding to this value the incremental decommissioning costs of approximately \$20.1 million results in approximately \$163.0 million to be collected from PGE ratepayers by December 31, 2020. At Staff's request, PGE filed a replacement tariff sheet to clarify the terms of this agreement and requested a waiver of legal statutory notice to allow the sheet into effect.

The average residential customer on Schedule 7 using approximately 900 kWh per month will experience a rate increase of approximately 0.9 percent, increasing their current monthly bill from \$98.37 to \$99.22.

Staff has reviewed PGE's estimates of costs and rates related to this application and recommends that the Commission allow PGE's Schedule 145 rates to be effective beginning July 1, 2011.

PROPOSED COMMISSION MOTION:

Portland General Electric's request to increase rates, effective July 1, 2011, to reflect increases in estimated depreciation/amortization expense and the decommissioning costs related to the Boardman plant closure changing from the year 2040 to the year 2020 be approved with less than statutory notice subject to the conditions stated in the Staff Report.

UE 230/Advice 11-07, Boardman Dep Rate Implementation

² "Net" remaining plant value equals total plant investment less accumulated depreciation as of a certain point in time.

³ PGE also includes an addition of \$0.9 million of general plant equipment (mostly office equipment and tools) erroneously omitted in its original application.

⁴ This figure does not include any amounts attributable to coal cars.