

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 281

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

2014 Schedule 145 Boardman Power
Plant Operating Adjustment.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

In this order, we adopt a stipulation addressing the request of Portland General Electric Company (PGE) to increase its Schedule 145, the Boardman Power Plant Operating Life Adjustment Tariff, due to the transfer of a 15 percent ownership interest in the Boardman facility to PGE. In the stipulation, the parties agree to place in rates the \$9.6 million in incremental decommissioning costs arising out of the 15 percent ownership transfer, less \$1.136 million. This results in an approximate \$2.3 to \$3.5 million increase to PGE's Schedule 145 revenue requirement for 2014.

II. BACKGROUND

A. Procedural Background

PGE filed Advice No. 13-22 on November 1, 2013, to update prices consistent with the company's Boardman plant's incremental decommissioning costs. Included in the decommissioning costs in the original filing were costs relating to a plant-focused incentive plan for employees of the Boardman plant, and the incremental decommissioning costs associated with PGE's increased share of Boardman from 65 percent to 80 percent. The total proposed 2014 decommissioning costs were \$4.9 million.

On December 9, 2013, PGE submitted a supplemental filing to Advice No. 13-22 removing the plant-focused incentive plan from consideration in this docket. PGE's supplemental filing reduced the amount of the proposed 2014 decommissioning costs to \$3.7 million.

On December 20, 2013, by Order No. 13-489, we suspended Advice No. 13-22 to investigate the propriety and reasonableness of the tariff sheets.

A prehearing conference was held on January 28, 2014. Parties appearing included PGE, the Commission Staff (Staff), the Citizens' Utility Board of Oregon (CUB), and the Industrial Customers of Northwest Utilities (ICNU). At the prehearing conference a schedule was adopted, based on a target Commission decision date of June 23, 2014. ICNU was granted party status and CUB intervened as a matter of right.

On February 18, 2014, PGE filed testimony and exhibits in support of its application. Next, the parties held three settlement conferences. On March 27, 2014, PGE filed a motion asking to suspend the procedural schedule, informing the Commission that the parties had reached an agreement in principle resolving all issues in this docket.

On May 1, 2014, the parties filed their stipulation, together with joint supporting testimony from witnesses for each party. The stipulation is attached to this order as Appendix A. Also on May 1, 2014, PGE filed a motion for the admission of the stipulation and supporting testimony into evidence.¹ We grant PGE's motion and also receive into evidence PGE's exhibits filed February 18, 2014.

B. Factual Background

In 1985, PGE entered into a sale and leverage lease financing agreement with General Electric Credit Corporation (GECC) under which PGE sold 15 percent of its Boardman generating plant.² GECC then leased the Facility Assets to Fale-Safe Inc. (Fale-Safe), to facilitate a long-term power sales agreement with San Diego Gas & Electric Company (SDG&E).³ GECC later sold the Facility Assets to BA Leasing BSC, LLC (BAL) in 2007.

Due to environmental concerns, PGE proposed, as part of its 2009 Integrated Resource Plan (IRP), alternative operating plans for Boardman. Of those presented, we acknowledged an option that included shutdown of the plant in 2020.⁴ Consistent with that decision, we also allowed an increase in PGE's depreciation/amortization expense and decommissioning costs related to the planned Boardman plant shutdown changing from 2040 to 2020 (Schedule 145).⁵

¹ PGE indicated that witnesses' affidavits in support of their testimony would be filed at a later date.

² In the agreement PGE also sold a portion of its Pacific Northwest Intertie rights to GECC. Those rights were also returned as part of PGE's reacquisition of the 15 percent share of Boardman.

³ Originally the power sales agreement was between PGE and SDG&E but it was assigned to Fale-Safe as part of the 1985 transaction.

⁴ See Order No. 10-457.

⁵ *Id.*

The initial term of the power sales agreement with SDG&E expired on December 31, 2013, and the initial term of the Fale-Safe lease also expired on December 31, 2013. The Fale-Safe lease was a triple-net lease which meant that the lessor – GECC (later BAL) – was not obligated to incur any costs related to the operations or decommissioning of Boardman.

Under the 1985 agreements, at the expiration of the Fale-Safe lease the Facility Assets would be returned to the lessor –BAL. However, BAL had two options regarding the management of the Facility Assets after the expiration of the Fale-Safe lease:

1. BAL could request to be admitted as a party to the Boardman Operating Agreement, making it subject to the full cost of its pro rata share of all Boardman costs, including decommissioning; or
2. BAL could elect the Termination option.

In August 2013, BAL notified PGE of its intention to elect the Termination option.

PGE and BAL then agreed to modify the terms of the original agreement in order to accelerate the implementation of the Termination option, allowing the ownership change of the Facility Assets to take place on December 31, 2013. In accordance with the 1985 agreements, this new agreement assigned all of BAL's ownership interest in Boardman to PGE. BAL paid PGE \$1 to take back these assets.

PGE's reacquisition of BAL's 15 percent share of Boardman is forecasted to increase PGE's Boardman decommissioning costs by about \$9.6 million.

III. DISCUSSION

A. The Stipulation

At the outset, PGE, CUB, and Staff agree that the underlying transaction was prudent. Witnesses for Staff and CUB agree with PGE that the transaction between PGE and BAL for the reacquisition of the Facility Assets was prudent and provided for the least cost, least risk outcome for PGE customers. ICNU makes no representation as to the prudence of PGE's decision to reacquire the additional 15 percent interest in Boardman.

As for the amount of recovery, the parties agree to exclude \$1.136 million (11.8 percent) in decommissioning expenses through 2020. The parties explain that this is a negotiated amount between PGE's request and support for full recovery of all incremental decommissioning costs associated with this transaction and arguments made by other parties for the exclusion of up to 23 percent (or \$2.2 million) of the costs.

In supporting testimony, the parties explain how they derived the amount of the reduction in PGE's request:

The calculation * * * removes decommissioning costs in proportion to the number of years (after amortization of the gain resulting from the original sale) that the 15 percent interest in the Boardman plant was not owned by PGE, based on the original sharing of the sale proceeds between customers and PGE. This results in an amount excluded that is equal to 23 percent of decommissioning costs for 18 of the 35 years Boardman will be operational from the time that the original 1985 transaction took place until Boardman is decommissioned in 2020.⁶

All parties support the final calculation as a merging of methodologies and a compromise of positions. Although they contend it would be appropriate for use in other circumstances, the parties agree the result represents a reasonable financial settlement and is in the public interest.

With the settlement, the Schedule 145 revenue requirement will increase from about \$2.3 million to about \$3.5 million for 2014.

B. Commission Resolution

We find that the stipulation is reasonable and should be approved. The parties have shown a rational basis for the amount of the reduction in PGE's recovery of its decommissioning costs. In its testimony PGE has presented a *prima facie* case of the reasonableness of its actions and other parties either have accepted PGE's case (Staff and CUB) or chosen not to contest it (ICNU). On the basis of PGE's showing and the terms of the stipulation we find that PGE was prudent in reacquiring the Facility Assets from BAL, and that the stipulated amount of recovery of decommissioning costs is reasonable and will produce just and reasonable rates.

IV. ORDER

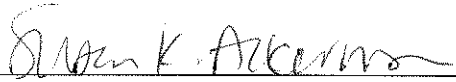
IT IS ORDERED that:

1. The stipulation by and between Portland General Electric Company, the Citizens' Utility Board of Oregon, the Staff of the Public Utility Commission of Oregon, and the Industrial Customers of Northwest Utilities, attached as Appendix A, is adopted.
2. Advice No. 13-22 is permanently suspended.

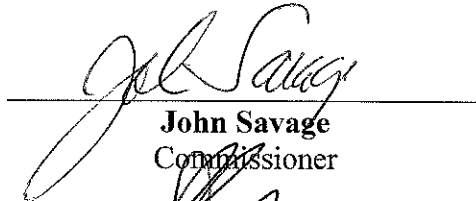
⁶ Stipulating Parties/100 at 4.

3. Portland General Electric Company must file tariffs in accord with this order to be effective June 1, 2014.

Made, entered, and effective MAY 20 2014.



Susan K. Ackerman
Chair



John Savage
Commissioner



Stephen M. Bloom
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.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON****UE 281**

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY'sAdvice No. 13-22 Schedule 145 to Reflect
Boardman Decommissioning Costs.**STIPULATION**

This Stipulation ("Stipulation") is among Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and the Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Stipulating Parties").

I. INTRODUCTION

On November 1, 2013, PGE filed Advice No. 13-22 (docketed as UE 281) to revise Schedule 145, the Boardman Power Plant Decommissioning Adjustment, to update the prices consistent with the incremental decommissioning costs from PGE's increased share of Boardman (from 65 percent to 80 percent) and a plant-focused incentive plan. On December 9, 2013, PGE submitted a supplemental filing to Advice No. 13-22 removing the plant-focused incentive plan from consideration and a Less Than Statutory Notice application.

On December 20, 2013, Commission entered Order No. 13-489, adopting Staff's recommendation to suspend Advice No. 13-22 "for a period of time not to exceed six months from January 1, 2014, to investigate the propriety and reasonableness of the tariff sheets."

On February 18, 2014, PGE filed the Direct Testimony and Exhibits of Jim Barnes and Patrick G. Hager (PGE/100-104, Barnes-Hager).

The background and history of the 1985 agreement that led to the subject re-acquisition of 15% of the Boardman generating plant are set out in PGE's advice filing and testimony, and Staff's memorandum.

The Stipulating Parties held settlement conferences on March 6, 12, and 18, 2014. As a result of those discussions, the Parties have reached agreement settling the issues raised in this proceeding. The Stipulating Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles the issues in this docket.
2. The Stipulating Parties have reviewed the underlying transaction transferring a 15% interest in the Boardman facility to PGE, and, except for ICNU, determined it to be prudent.¹
3. From PGE's perspective its testimony supported full recovery of all additional decommissioning costs arising out of this transaction. In settlement, other parties argued for the exclusion of up to 23% or \$2.2 million of the incremental decommissioning costs. As a compromise producing a settlement, the parties have agreed to exclude \$1.136 million in decommissioning expenses from Schedule 145 through 2020. That number was arrived at as shown in Exhibit 101 to the joint testimony submitted in support of this Stipulation. As explained in the joint testimony, the calculation removed decommissioning costs in proportion to the number of years that the 15% interest in the

¹ ICNU is making no representation of the prudence of PGE's decision to buy the additional 15% interest in Boardman.

Boardman plant was not owned by PGE after complete amortization of the gain from the original sale, and allocated those costs base on the allocation from the original sale. PGE does not agree that this methodology would be appropriate in any other circumstance, but as a compromise and settlement of this action agrees with the result in this docket.

4. ICNU also supports this approach as a matter of compromise and does not agree that this methodology would or would not be appropriate in any other circumstances.

5. The other parties also support this approach as a matter of compromise. The other parties do not agree, however, that this methodology would not be appropriate in any other circumstances.

6. The Stipulating Parties now request that the Commission approve inclusion of the incremental decommissioning costs arising out of this transaction less \$1.136 million. This will result in an annualized reduction of Schedule 145 prices of about \$163,000 between 2014 and 2020. The Stipulating Parties further request that the revised Schedule 145 rates be allowed to go into effect beginning June 1, 2014.

7. This settlement is not precedential as to any issue or party, except as otherwise provided in the settlement.

8. The Parties recommend and request that the Commission approve the adjustments to PGE's advice filing as appropriate and reasonable resolutions of the issues settled herein.

9. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable and, if approved, will meet the standard in ORS 756.040.

10. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the parties. Without the written consent of all parties, evidence of conduct or

statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.


11. The Stipulating Parties have negotiated this Comprehensive Settlement as an integrated document. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Stipulating Party reserves its right to: (i) withdraw from the Stipulation, upon written notice to the Commission and other Parties within five (5) business days of service of the final order that rejects this Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlement embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration or to appeal the Commission order under ORS 756.610. Nothing in this paragraph provides any Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

12. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-01-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting an explanatory brief and written

testimony per OAR 860-001-0350(7), unless such requirement is waived. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

13. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 1st day of May April, 2014.


PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

testimony per OAR 860-001-0350(7), unless such requirement is waived. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

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DATED this 1st day of April, 2014.

PORTLAND GENERAL ELECTRIC
COMPANY

Michael B.

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON
(Attorney for PGC)

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES


testimony per OAR 860-001-0350(7), unless such requirement is waived. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

13. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 23rd day of April, 2014.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

testimony per OAR 860-001-0350(7), unless such requirement is waived. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

13. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 29th day of April, 2014.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON



INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES