

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1789, UE 311, UP 344

In the Matters of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application to Defer Revenues and Costs
Related to the Environmental Remediation
Costs Recovery Adjustment,
Schedule 149 (UM 1789);

Schedule 149, Environmental Remediation
Costs Recovery Adjustment (UE 311);

and

Application for Approval of Sale of Harborton
Restoration Project Property (UP 344).

ORDER

DISPOSITION: STIPULATION ADOPTED

I. SUMMARY

In this order, we adopt the stipulation between Portland General Electric Company (PGE), Staff of the Public Utility Commission of Oregon (Staff), the Oregon Citizens' Utility Board (CUB), and the Industrial Customers of Northwest Utilities (ICNU) that settles all issues in these consolidated dockets. Under the terms of the stipulation, the parties support PGE's proposal to restore a parcel along the Willamette River and generate and sell environmental remediation credits (the Harborton Restoration Project) along with the company's requests to implement a new environmental rate schedule, the Portland Harbor Environmental Remediation Account (PHERA), and to defer associated costs and revenues.

We adopt the stipulation because of the significant projected benefit to ratepayers from the Harborton Restoration Project. We accept the PHERA mechanism as proposed in the stipulation and the associated deferral; however, we will reexamine this mechanism in full at numerous points in the future. To keep the Commission and parties apprised of new relevant information, we direct PGE to report annually to the Commission, and

quarterly to the parties, on the status of its environmental remediation activities and pursuit of insurance proceeds.

II. BACKGROUND

These dockets involve PGE's environmental remediation activities in two areas of the Willamette River: the Portland Harbor Superfund site (Portland Harbor) and Downtown Reach. At present, \$3.56 million is embedded in base rates for environmental remediation in these areas.

A. Portland Harbor

Portland Harbor comprises the stretch of river from Kelly Point Park to the Broadway Bridge. PGE anticipates that it will be assessed liability for parcels within this area in two ways: (1) environmental remediation damages, assessed by the U.S. Environmental Protection Agency (EPA), to fund the cleanup of contaminated sites, and (2) natural resource damages (NRDs), assessed by the Portland Harbor Natural Resource Trustee Council, to compensate for injury to fish, wildlife, and other such resources.

PGE expects the EPA liability assessment to be imposed around 2020 to 2022. EPA has designated PGE as a Potential Responsible Party (PRP) for contamination in Portland Harbor along with other parties. PGE reports that it is now participating in a process with other PRPs to allocate liability among the designated PRPs. PGE states that it cannot yet estimate its final EPA liability. PGE anticipates that remediation and maintenance costs related to its EPA liability will continue for ten to thirty years, once remediation efforts commence.

PGE expects the NRD liability assessment to be completed in the second quarter of 2017. NRDs, measured in Discounted Service Acre Year (DSAY) debits, are assessed for injury to natural resources. DSAY *debits* represent a PRP's obligation to compensate for injury to natural resources. DSAY *credits* are generated by a project that restores damaged natural resources to original condition and can be used to offset a party's NRD obligation.

PGE reports that it has begun the process of identifying insurers and pursuing recovery of insurance proceeds for its Portland Harbor EPA and NRD liability assessments. For the period of 1964 to 1984, PGE has identified all historical domestic insurers that are still solvent and notified them that EPA has designated PGE as a PRP for Portland Harbor contamination. PGE states that the majority have responded with reservation of rights letters outlining their coverage positions. PGE also has worked with an insurance archaeology firm to identify policies placed through Lloyd's of London from the 1940s through the 1960s and has put the identified London syndicates providing historical coverage that are still solvent on notice of the EPA designation.

B. Downtown Reach

Downtown Reach is a 4.2 mile segment of the river south of Portland Harbor. This area is under state jurisdiction of the Oregon Department of Environmental Quality (DEQ). PGE's liability relates to two sites in this area: (1) river mile 13.1 near the Hawthorne Bridge, where storm water discharge partially originating from PGE's Hawthorne Shop enters the Willamette River and (2) river mile 13.5, PGE's previously owned Station L, currently the site of the Oregon Museum of Science and Industry.

PGE states that in its last two general rate proceedings (dockets UE 283 and UE 294) forecast costs in the test year have included Downtown Reach remediation costs, estimated at \$1.5 million for each location. This resulted in inclusion of \$1.5 million in base rates for Downtown Reach cleanup projects. PGE reports that remediation at these two sites is now basically complete, at a total cost of \$3 million, and only ongoing monitoring and reporting obligations to DEQ remain.

PGE indicates that it anticipates recovering some of its costs of Downtown Reach remediation from insurers. Recovered proceeds and legal costs would flow into the PHERA proposed in these proceedings.

III. PROCEDURAL HISTORY

On July 15, 2016, PGE made three filings accompanied by testimony and exhibits.

First, in docket UP 344, PGE seeks authorization to restore and enhance a parcel within Portland Harbor and monetize the resulting environmental credits (Harborton Restoration Project) for the benefit of ratepayers. This includes a request to (a) place a deed restriction on 62 acres of utility property, which is expected to become a conservation easement after 10 years and (b) sell the DSAY credits generated from the project to other parties who have been assessed NRD liability.

PGE projects that DSAY sales from the project will be sufficient to offset the company's entire assessed NRD liability as well as a significant amount of its EPA environmental remediation liability. PGE reports that it has been coordinating with the Portland Harbor Natural Resource Trustee Council on developing the project and has a preliminary estimate from the Trustees of the DSAY credits the project will generate. The Trustees are limiting the number of authorized DSAY-generating projects to match the expected total demand for DSAYs.

PGE asserts there is a benefit to being early to market DSAY credits and has already completed much preliminary work. PGE reports in its initial filing that, as of May 31, 2016, it had spent over \$2.2 million on design and permitting work and expected to finalize all design, engineering, and permitting plans, sign the final agreement, complete initial DSAY marketing, and prepare the site for construction during the remainder of

2016. PGE states that before it can proceed to the final stage of the project it requires our authorization to place a deed restriction on the utility property and sell the DSAY credits.

Second, in docket UE 311, PGE proposes an environmental rate schedule with an automatic adjustment clause.¹ Under this Portland Harbor Environmental Remediation Account (PHERA), PGE will begin tracking expenditures and revenues associated with environmental remediation of Portland Harbor and Downtown Reach and the proposed Harborton Restoration Project.

Third, in docket UM 1789, PGE seeks approval of a deferred account to track environmental-related costs and revenues for rate treatment according to the conditions of the PHERA. PGE seeks the account under ORS 757.259(2)(e), which allows us to authorize deferral of expenses or revenues for later incorporation in rates to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

We consolidated these three dockets, finding them interrelated. On August 9, 2016, we suspended Advice No. 16-11 for investigation under ORS 757.210 and ORS 757.215.² Staff, CUB, and ICNU each filed reply testimony on September 30, 2016, providing analysis and suggestions on a number of issues.

On October 10, 2016, we held a workshop, during which PGE provided a presentation on the factual and technical specifications of its applications and responded to our questions. Other parties we also given the opportunity to discuss their positions.

Following a settlement conference on October 11, 2016, the parties entered into a stipulation that settles all issues in these consolidated dockets. On November 18, 2016, PGE submitted the stipulation, a revised Advice No. 16-11 that incorporates the changes and terms specified in the stipulation, and joint supporting testimony of PGE, Staff, and ICNU. On November 23, 2016, CUB filed individual testimony in support of the stipulation, but indicated reservations on several issues. On December 16, 2016, PGE filed a corrected stipulation and errata to its joint testimony after discovering inadvertent omissions in the original stipulation and joint testimony. The corrected stipulation is attached to this order as Appendix A.

On January 20, 2017, we held oral arguments in these proceedings to elicit additional explanatory information from the parties regarding the meaning of the stipulation and how it serves the public interest. Counsel for PGE, Staff, CUB, and ICNU explained their understanding of key elements of the stipulation, including the Commission's ability

¹ ORS 757.210(1)(b) defines "automatic adjustment clause" as a provision of a rate schedule that provides for rate increases or decreases without prior hearing, reflecting increases or decreases in utility costs, taxes, or revenues, and that is subject to Commission review at least every two years.

² In Order No. 17-056 we extended the suspension for an additional period not exceeding three months under ORS 757.215(1).

to review and revise the PHERA mechanism and the reasons for adopting a cost recovery mechanism at this early stage in the environmental remediation process.

IV. STIPULATION

In the stipulation, the parties agree that PGE's three applications in these dockets should be granted subject to certain changes and terms set forth in the stipulation.

The parties all support the stipulation and agree that it is a compromise that resolves all issues in the three applications.

They further agree, however, that our adoption of the stipulation does not create controlling precedent to be applied in any docket or issue in the future and that a party's agreement to the stipulation does not mean the party agrees that environmental remediation should be assumed to be a customer responsibility.

In their respective supporting testimony and at oral argument, Staff, CUB, and ICNU emphasize that they support the stipulation as a whole and not necessarily each provision in isolation. They believe the stipulation will move the Harborton Restoration Project forward to the benefit of ratepayers and note that PGE has agreed to hold customers harmless for development costs. Although they have reservations about the PHERA mechanism and its design, they view the stipulation as providing flexibility to properly review and revise this mechanism in the future.

Below is a summary of the agreements in the stipulation.

A. Property Sale

The parties agree that PGE's application in docket UP 344, seeking authorization to place a deed restriction on the Harborton property and sell DSAY credits created by the project, should be granted subject to the following condition: PGE will not be entitled to recover any Harborton Restoration Project development costs, currently estimated at \$10-12 million, to the extent those costs exceed PGE's DSAY revenues.

B. New Schedule 149

The parties agree that the Commission should approve PGE's new rate Schedule 149 subject to the terms and conditions specified in the stipulation. The schedule will be implemented as an automatic adjustment clause, the PHERA mechanism.

The PHERA is designed to allow for offsetting of cleanup, remediation costs, insurance proceeds, and DSAY revenues over the life of the Harborton Restoration Project and the expected remediation period. Since \$3.56 million is already in base rates for environmental remediation activities in Portland Harbor and Downtown Reach, and this

amount will be credited to the PHERA as monthly revenue (\$0.2967 million each month), prices for Schedule 149 are initially set at zero.

PGE does not know at this time whether there will be surplus funds or whether it will request to collect funds from customers. PGE states in its initial filing that on June 15 each year it will file a letter with the Commission indicating whether it expects to change the Schedule 149 rate on the following January 1 and, if so, will provide information regarding the proposed change by November 15.

The key components of the stipulation relating to Schedule 149 are summarized below:

1. The PHERA Mechanism

The PHERA will track the following costs and revenues:

Harborton Restoration Project Development Costs: These costs include development, construction, and permitting costs, costs paid to the Portland Harbor Natural Resource Trustee Council, and future termination costs should the project be terminated. PGE estimates the total Harborton Restoration Project development costs will be \$10-12 million for the life of the project (assumed to be 2028).

Environmental Remediation Costs (ERC): These costs comprise (1) all costs that PGE incurs for natural resource damages and environmental remediation activities in connection with Portland Harbor and Downtown Reach sites that the Commission finds are eligible for inclusion and (2) Harborton Restoration Project operation and maintenance costs, which PGE estimates at \$1-2 million total for the life of the project, and potential endowment costs to outsource monitoring and maintenance of the project after 10 years to a non-profit agency, which PGE estimates at \$1.5 million.

Environmental Remediation Revenues (ERR): These revenues include insurance proceeds, DSAY revenues net of prudent Harborton Restoration Project development costs, the \$3.56 million in base rates for environmental remediation in Portland Harbor and Downtown Reach, Schedule 149 revenue, and accumulated interest.

The PHERA consists of two separate accounts, the PHERA Annual Account and the PHERA Balancing Account. Amounts are first tracked in the annual account and then amortized within the balancing account and subject to collection or refund through the PHERA, as further described below.

a. PHERA Annual Account

Harborton Restoration Project development costs, ERC, and ERR incurred or received in a year are first tracked in the PHERA Annual Account. The \$3.56 million currently in base rates for environmental remediation in Portland Harbor and Downtown Reach is

credited monthly to this account in the amount of \$0.2967 million. Amounts accrue interest at PGE's authorized rate of return.

Annually, each year's Harborton Restoration Project development costs, ERC, and ERR are subject to a prudence review. By March 15, 2017, and each year thereafter, PGE will submit a prudence review filing that includes a report of all activity associated with the Harborton Restoration Project, ERC, and ERR recorded in the PHERA Annual Account that year. Within 120 days of this filing, Staff will submit a report to the Commission recommending which amounts should be deemed prudent.³ Other parties may perform their own prudence review and request further information from PGE. Staff will request an expedited order regarding the costs and revenues that it recommends as prudent; other costs and revenues where prudence is disputed will be resolved pursuant to a separate procedural schedule.

Before being transferred to the PHERA Balancing Account, the first \$6 million of prudently-incurred ERC are exempt from an earnings test, but amounts exceeding \$6 million are subject to an earnings test. ERC exceeding \$6 million will be reduced by any earnings above PGE's authorized return on equity approved in the most recent general rate case. This earnings test is applied after the results of PGE's Power Cost Adjustment Mechanism are taken into account for that year. The parties agree that Harborton Restoration Project development costs will not be subject to the earnings test applied to ERC.

b. *PHERA Balancing Account*

Following application of the prudence and earnings tests, remaining amounts in the PHERA Annual Account transfer to the PHERA Balancing Account. Revenues and costs transfer and are allocated across future years as outlined below.

The Annual Allocated Revenue (AAR) for a given year is the sum of insurance proceeds for Portland Harbor and Downtown Reach, DSAY revenues net of Harborton Restoration Project development costs, the \$3.56 million in rates for environmental remediation activities in Portland Harbor and Downtown Reach, Schedule 149 revenue, accumulated interest, and AAR balances carried forward.

These revenue amounts are allocated as follows when transferring to the Balancing Account:

- Insurance proceeds are equally allocated across the remaining expected project life. Proceeds are *not* netted against Harborton Restoration Project development costs.

³ Staff's review of PGE's annual filing of costs, revenues, and activities is limited to 120 days. As discussed in Part B.2 below, however, Staff and parties' historical review to determine whether a particular site was prudently used in the service of customers is not limited to any set number of days.

- Harborton Restoration Project development costs are netted against total DSAY revenues received that year. Any remaining DSAY revenue for that year is allocated across the remaining expected project life.
- Other ERR components—the \$3.56 million in base rates for environmental remediation activities in Portland Harbor and Downtown Reach, Schedule 149 tariff revenue, and accumulated interest—are allocated in full to the year in which they are received.

ERC and any Harborton Restoration Project development costs remaining after netting DSAY revenues are then offset by that year's AAR.

- If ERC and Harborton Restoration Project development costs remain after netting with that year's AAR, they are allocated across the following five years in the Balancing Account.
- If ERC and Harborton Restoration Project development costs are less than that year's AAR, then the positive remaining AAR⁴ balance will offset *accumulated* ERC and Harborton Restoration Project development costs in the Balancing Account that were allocated to that year (in previous years). Any remaining AAR balance is then carried forward as an addition to the next year's AAR.

Amounts in the PHERA Balancing Account accrue interest at the average of the five-year U.S. Treasury rate plus 100 basis points (PURE Rate).

2. *Defined List of Properties*

In Appendix A to the stipulation, PGE identifies all individual sites that may be subject to NRD or EPA liability. These are the only sites potentially eligible for inclusion in the PHERA.

Before any site may be included in the PHERA, PGE, Staff, and parties will complete a historical review to determine whether the site was prudently used in the service of customers. This process will work as follows: Once PGE is assessed liability for a particular site by the Portland Harbor Natural Resource Trustee Council or EPA, PGE will review whether the site was prudently used in utility operations. PGE will then notify Staff and parties of the NRD or EPA liability assessment and the results of PGE's review. Staff and parties will then conduct their own review of whether the site was appropriately categorized as utility property, prudently managed, and eligible for recovery of remediation costs.

⁴ The corrected stipulation contains what we interpret as an error. It states, "the positive remaining ERR [should read AAR] balance will offset accumulated ERC and Harborton Restoration Project development costs." We also note that Special Condition 5 in the proposed Schedule 149 contains an error. It states, "the remaining ARR [should read AAR] balance will be used to offset accumulated costs."

The parties agree to propose a Phase II of docket UE 311 for continued review of these sites and for the annual prudence review of costs and revenues eligible for inclusion in the PHERA.

3. *Review of the PHERA Mechanism*

Consistent with the requirements of ORS 757.210(b), the PHERA mechanism is subject to review no less frequently than every two years. The parties also agree in the stipulation that the PHERA can be subject to review when significant new information becomes available or during a general rate case. All aspects of the mechanism are subject to review and revision including, but not limited to, the earnings test, the exempt ERC amount, and incentives for cost management such as sharing.

4. *Contingent Environmental Liability Accruals*

Only cash expenditures will be included in the PHERA Annual Account. PGE will defer, separately track, and capitalize as a regulatory asset, contingent environmental liability accruals. This regulatory asset will not be included in rate base and PGE will not earn a return on the balance. The parties also agree that interest will not be accrued on contingent environmental liability accruals.

5. *Cost Functionalization*

PGE will record, to the extent possible, environmental remediation assessments separately by site so that prudent costs can be functionalized to generation, transmission, and distribution for recovery in rates based on the historical function of the site. Functionalized costs recoverable through Schedule 149 will be allocated to each rate schedule according to relative use of generation, transmission, and distribution service.

6. *PGE's Results of Operations (ROO)*

PGE's ROO will not include the interest or accumulated deferred income taxes included in the PHERA. Similarly, PGE will remove all other costs and revenues included in the PHERA from the ROO. An earnings test based on the ROO, exclusive of impacts of the PHERA, will then be used to determine the amount, if any, of deferred costs to be transferred to the PHERA Balancing Account for that year. This approach keeps the costs and revenues associated with environmental remediation self-contained within the PHERA.

C. *Deferral Application*

The parties agree that PGE's application in UM 1789, seeking deferral of costs and revenues under the PHERA, should be granted subject to the terms and conditions specified in the stipulation.

The parties agree that the PHERA will be effective upon approval by the Commission, however, the effective date for the eligible deferred environmental remediation costs and revenues is July 15, 2016, the date of filing of PGE's deferral application. Accordingly, environmental remediation costs and revenues incurred or received after July 15, 2016 will flow into the PHERA along with any Harborton Restoration Project development costs that have been capitalized and deferred prior to that date.

V. DISCUSSION

We have reviewed the record in this docket and find the proposed stipulation is reasonable and in the public interest. The stipulation should be adopted.

We find the stipulation is likely to provide benefits to customers. PGE projects the Harborton Restoration Project will generate enough DSAY credits to offset its entire NRD liability and a significant portion of its EPA liability—thereby reducing the amount of environmental remediation costs to be recovered from ratepayers. Further, PGE has agreed to hold customers harmless if project development costs unexpectedly exceed revenues. PGE has an ongoing obligation to pursue an overall strategy of minimizing cost to its customers. However, we agree with the parties that adopting the stipulation provides certainty that PGE will go forward with this project to the benefit of its customers.

We share many concerns raised by Staff, CUB, and ICNU with the PHERA mechanism including that PGE's potential liabilities and revenue streams remain largely undetermined and that the design of the mechanism may need significant revision. Despite these concerns, we are willing at this time to adopt the stipulation as a whole, given the projected value to customers of the Harborton Restoration Project. We adopt the stipulation with the express recognition that we retain the authority to review and revise any element of the PHERA mechanism. Our initial approval in this order should not be viewed as providing any precedential value to the mechanism as designed.

We expect to review and revise the PHERA mechanism at numerous points in the future. First, we retain the right to review and revise the mechanism at any time as we deem appropriate.⁵ Second, as set forth in the stipulation, parties may request review of the PHERA when significant new information becomes available or during any general rate proceeding. If a party seeks review on grounds of significant new information, we will apply a liberal standard to ensure the stipulation is implemented consistent with the expectations of Staff, CUB, and ICNU that the PHERA will be a flexible mechanism. And third, by statute, the PHERA is subject to review at least once every two years as it

⁵ The Commission has inherent authority to reexamine the PHERA as part of our broad statutory powers. We are statutorily required to protect customers from unjust and unreasonable rates. That duty includes the obligation to monitor all rates to ensure they remain just and reasonable. To this end, we may reopen the PHERA at any time for full investigation to review and, upon a proper showing, change the mechanism. See *Multnomah County v. Davis*, 35 Or App 521, 526 (1978) (citing ORS 756.040 and other statutes).

contains an “automatic adjustment clause.”⁶ If the parties do not initiate review within a two-year period, we will initiate review on our own accord consistent with this requirement.

To ensure that we stay apprised of relevant information going forward, we impose the following reporting requirements:

We direct PGE to report annually to the Commission, by April 1 of each year (inclusive of 2017) on the status of the company’s environmental remediation activities and pursuit of available insurance proceeds. This report should include the following list of data points in addition to other appropriate information:

- Status and amount of NRD and EPA liability assessments
- Status of individual site assessments
- Status of allocating costs among PRPs
- Legal developments relating to insurance proceeds and total amount received
- Harborton Restoration Project updates including:
 - Actual cost of project versus estimated cost
 - Status of DSAY marketing and sales
 - Status of property deed transfer
 - Other project-related activities

We further direct PGE to provide quarterly updates to Staff, CUB, and ICNU (each March, June, September, and December) on relevant new information relating to PGE’s environmental remediation activities and insurance litigation. These updates should include all new information relating to the data points listed above along with any additional information reasonably requested by the parties. The first report is due by the end of March 2017.

VI. ORDER

IT IS ORDERED THAT:

1. The stipulation between Portland General Electric Company, Staff of the Public Utility Commission of Oregon, the Oregon Citizens’ Utility Board, and the Industrial Customers of Northwest Utilities, attached as Appendix A, is adopted.
2. Portland General Electric Company’s application for approval to create and sell Discounted Service Acre Year credits generated by the Harborton Restoration Project and make certain changes in the status of PGE’s Harborton property, due to placing a deed restriction on the property, is granted subject to the terms and conditions specified in the stipulation.

⁶ As defined in ORS 757.210(1).

3. Portland General Electric Company is directed to file tariff Schedule 149 consistent with the stipulation to be effective as of the date of this order.
4. Portland General Electric Company's request for authorization to defer for later rate-making treatment certain expenses associated with the Portland Harbor construction, environmental permitting and design, and legal expenses caused by pursuing historical insurers, is granted subject to the terms and conditions specified in the stipulation.
5. Portland General Electric Company shall file annual updates with the Commission, and quarterly updates with Staff, the Oregon Citizens' Utility Board, and the Industrial Customers of Northwest Utilities, on relevant new information relating to PGE's environmental remediation activities and insurance litigation.

MAR 02 2017

Made, entered, and effective _____.



Lisa D. Hardie
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.

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UM 1789, UE 311, UP 344

In the Matter of

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Application to Defer Revenues and Costs
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Application for Approval of Sale of Harborton
Restoration Project Property (UP 344).

CORRECTED 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 "Parties"). There are no other parties in this docket.

I. BACKGROUND

On July 15, 2016, PGE made three filings:

- (1) Advice No. 16-11, Schedule 149, (docketed as UE 311), seeking adoption of PGE's proposed Portland Harbor Environmental Remediation Account ("PHERA");
- (2) Application for Deferral of Revenues and Costs eligible for inclusion in the PHERA (docketed as UM 1789), seeking deferral of costs and revenues under the PHERA; and

(3) Application for Sale of Harborton Restoration Project Property (docketed as UP 344), seeking authorization to place a deed restriction on the Harborton property for the purpose of restoring and enhancing approximately 62 acres of the overall property (the “Harborton Restoration Project”), and approval for PGE to sell Discount Service Acre Year (“DSAY”) credits that will be created by the Harborton Restoration Project. PGE’s applications in Docket Nos. UE 311, UM 1789, and UP 344 are collectively referred to herein as the “Applications” and individually as an “Application.”

PGE’s UE 311 Application included testimony and work papers in support of its filing. On July 18, 2016, the Commission consolidated these three dockets. Staff and intervening parties subsequently served a significant number of data requests on PGE, and PGE provided responses. Several workshops were held with the parties prior to PGE’s Applications, and more workshops were held after the Applications were filed. Staff, CUB, and ICNU each filed testimony in these consolidated dockets on September 30, 2016. On October 10, 2016, a workshop was held with the Commissioners, during which PGE responded to questions from the Commissioners. The other Parties also discussed their testimony regarding these Applications.

The Parties held a Settlement Conference on October 11, 2016. As a result of the Applications, testimony, discovery responses, and workshops, the Parties have reached agreement settling all issues in these consolidated dockets. The Parties agree that PGE’s Applications in each of the consolidated dockets should be granted, subject to the changes and terms set forth below. Based on the information and estimates regarding expected DSAY revenues and Harborton Restoration Project costs provided by PGE, the Parties request that the Commission issue an order adopting this Stipulation. The Parties note that Commission adoption of this Stipulation does not create any controlling precedent to be applied in any docket or issue

before the Commission in the future. The Parties reserve the right to explain the rationale behind individual support of this Stipulation in the supporting testimony.

II. TERMS OF STIPULATION

1. This Stipulation settles all issues in these consolidated dockets.
2. Should a dispute regarding the terms and special conditions of the PHERA and recovery of applicable environmental remediation costs arise, the "II. Terms of Stipulation" and subsequent Commission Order shall control over the revised Schedule 149 submitted herewith as Appendix B.
3. The PHERA would be effective upon approval by the Commission; however, the effective date for the eligible deferred environmental remediation costs and revenues would be July 15, 2016, the date of the filing of PGE's deferral Application. Such deferred costs and revenues will flow into the PHERA.
4. The PHERA shall hold Environmental Remediation Costs ("ERC"), Environmental Remediation Revenues ("ERR"), and costs incurred to develop the Harborton Restoration Project. Harborton Restoration Project development costs include all costs associated with the Harborton Restoration Project development, including but not limited to, deferred costs incurred as of the filing date of the Deferral Application, development and construction costs, permitting costs, costs paid to Trustees for participation in the NRD restoration project, and future termination-related costs if applicable. Harborton Restoration Project development costs do not include Harborton Restoration Project O&M costs or potential Harborton Restoration Project endowment costs.
5. ERC is defined to include all costs PGE incurs, exclusive of Harborton Restoration Project development costs, for natural resource damages and environmental

remediation activities in connection with the specific Portland Harbor Superfund Sites (“Portland Harbor”) and Downtown Reach sites listed in Appendix A, should they be assessed NRD and/or EPA damages, as well as Harborton Restoration Project O&M costs and endowment costs.

6. ERR is defined as: (1) DSAY revenues net of prudent Harborton Restoration Project development costs; (2) insurance proceeds; (3) the amount included in base rates for environmental remediation activities at Portland Harbor or Downtown Reach; (4) the Schedule 149 tariff revenue; and (5) interest.

7. The PHERA will consist of an annual account (the “PHERA Annual Account”) and a balancing account (the “PHERA Balancing Account”). The PHERA Annual Account shall hold only incurred and paid ERC and Harborton Restoration Project development costs, and received ERR, until completion of the prudence review identified in Paragraph 9. Following completion of the prudence review, the ERC, ERR, and remaining Harborton Restoration Project development costs found prudent by the Commission will be transferred to the PHERA Balancing Account, subject to the applicable terms below.

8. The Parties agree that \$3.56 million per year was included in base rates for environmental remediation-related activities in the Portland Harbor and Downtown Reach in PGE’s last general rate case. That annual amount will be credited to the PHERA Annual Account on a monthly basis, in the amount of \$0.2967 million, until PGE’s next general rate case when the appropriate amount to be included in rates, if any, will be re-examined. The monthly credits and costs will begin July 15, 2016, the date of PGE’s deferral Application.¹ Correspondingly, ERC, Harborton Restoration Project development costs, and other ERR will also be included in the PHERA Annual Account as expended or received as the case may be.

¹ For the month of July 2016, a prorated amount of \$0.1627 million shall be credited to the PHERA.

9. Harborton Restoration Project development costs, ERC and ERR included in the PHERA Annual Account are subject to a prudence review.
- a. By March 15, 2017, and each year thereafter, PGE will request that Staff review and determine prudence of Harborton Restoration Project development costs, ERC, and ERR for the prior calendar year. Any other Party to this Stipulation may perform its own prudence review and request information from PGE related to Harborton Restoration Project development costs, ERC, and ERR pertinent to such review.
 - b. PGE's filing to request prudence review will include a report of all activity associated with Harborton Restoration Project development costs, ERC, and ERR recorded in the PHERA Annual Account. Only cash expenditures will be included in the PHERA Annual Account for recovery under the PHERA mechanism. PGE shall defer, separately track, and capitalize as a regulatory asset, contingent environmental liability accruals. This regulatory asset shall not be included in rate base and PGE shall not earn a return on the balance.
 - c. Staff and other Parties shall complete the prudence review and Staff shall submit its report and recommendation to the Commission within 120 days of its submittal. However, a Commission order as to prudence does not need to be issued within the 120 days. For the costs and revenues that Staff recommends be deemed prudent in its report, Staff will request that a Commission order be issued as expeditiously as possible; however, costs and revenues that Staff and/or other Parties disagree as to prudence will be resolved pursuant to a separate procedural schedule.

10. Costs included in the PHERA Annual Account that have been determined to be prudent in accordance with the terms of Paragraph 9 shall be subject to an earnings test. The earnings test is specified as follows:

- a. A fixed \$6.0 million each year in ERC is not subject to the earnings test.
- b. Harborton Restoration Project development costs, currently estimated at \$10-\$12 million, are not subject to the earnings test.
- c. If ERC in any year exceeds \$6.0 million, then the balance in excess of \$6 million will first be reduced by any earnings above PGE's Return on Equity authorized by the Commission in PGE's most recent general rate case.
- d. The earnings test will be applied after the Power Cost Adjustment Mechanism earnings test.

11. Interest will be calculated as follows:

- a. The pre-tax balances in the PHERA Annual Account that have not been deemed prudent by Commission order shall accrue interest at the authorized rate of return approved in PGE's most recent general rate case. This balance includes the annual \$3.56 million credited on a monthly basis (\$0.2967 per month) to the Annual Account from base rates until otherwise adjusted by the Commission. In other words, the \$3.56 million will accrue interest at PGE's authorized rate of return until that corresponding year's Harborton Restoration Project development costs, ERC, and ERR are deemed prudent by Commission order.
- b. ERC, ERR, and Harborton Restoration Project development costs in the PHERA Annual Account that have subsequently been reviewed for prudence

and deemed prudent by the Commission, will be transferred, consistent with Commission order, to the PHERA Balancing Account and will accrue interest at the average of the five-year U.S. Treasury rate plus 100 basis points (the "PURE Rate"). The PURE Rate will be updated annually and included in Staff's report to the Commission on the prudence of Harborton Restoration Project development costs, ERC, and ERR.

- c. Interest will be transferred to the PHERA Balancing Account following prudence review and the earnings test, and not allocated across the remaining life of the project.
 - d. Interest will not be accrued on contingent environmental liability accruals.
 - e. Interest shall be calculated on the incurred and paid pre-tax regulatory asset and regulatory liability balances.
12. Transfer, allocation, and carry over of prudent costs and revenues from the PHERA Annual Account to the PHERA Balancing Account.
- a. Harborton Restoration Project development costs are netted against total DSAY revenues received for that year. Then any remaining DSAY revenue for that year is equally allocated across the remaining expected project life, inclusive of the year in which they are received. Harborton Restoration Project development costs incurred before PGE has received its first year of DSAY revenues may be netted against those first year of DSAY revenues, with any excess Harborton Restoration development costs carried forward in accordance with the terms of the PHERA mechanism.

- b. Insurance proceeds are equally allocated across the remaining expected project life, inclusive of the year in which they are received, and are not netted against Harborton Restoration Project development costs.
- c. Current expected project life is through 2028.
- d. The Parties support that the Commission, in the review process discussed in Paragraph 17, may revise the expected project life, as appropriate, on a going-forward basis. However, ERRs that have already been allocated based on a previously assumed project life will not then be re-allocated based on an updated expected project life.
- e. The remaining ERR components, which include the amount included in base rates for environmental remediation activities at Portland Harbor and Downtown Reach, the Schedule 149 tariff revenue, and interest, are allocated in full to the year in which they are received (in other words, are not spread across the remaining expected project life).
- f. Annual Allocated Revenue (“AAR”) is the sum of: (1) insurance proceeds associated with Portland Harbor and Downtown Reach that are equally allocated across the remaining expected project life, inclusive of the year in which they are received; (2) \$3.56 million currently in base rates, subject to adjustment by the Commission; (3) AAR balances carried forward; (4) accumulated interest; (5) DSAY revenues net of Harborton Restoration Project development costs that are then equally allocated across the remaining expected project life, inclusive of the year in which they are received; and (6) the Schedule 149 tariff revenue.

- g. After reducing the annual ERC balance in the PHERA Annual Account by any overearnings, as provided in Paragraph 10, any remaining ERC and Harborton Restoration Project development costs are offset by that year's AAR.
- i. If ERC and Harborton Restoration Project costs remain, they are equally allocated across the following five years in the Balancing Account, and are not subject to an additional earnings test.
 - ii. However, if ERC (after being reduced by any overearnings if ERC is above \$6 million) and Harborton Restoration Project development costs in the PHERA Annual Account are less than that year's AAR, then the positive remaining ERR balance will offset accumulated ERC and Harborton Restoration Project development costs in the PHERA Balancing Account that were allocated to that year. Any remaining balance is carried forward as an addition to the next year's AAR in the PHERA Balancing Account.
13. The Parties support initial prices for Schedule 149 be set at zero.
14. The Parties support approval of PGE's Application in UP 344 subject to the following condition: If Harborton Restoration Project development costs, currently estimated at \$10-\$12 million, exceed DSAY revenues, PGE will not recover development costs from customers in excess of DSAY revenues retained by PGE. As noted in Paragraph 4, Harborton Restoration Project development costs include all costs associated with Harborton Restoration Project development, including but not limited to, costs incurred as of the date of this

Stipulation, development and construction costs, permitting costs, costs paid to the Trustees for participation in the NRD restoration project, and future termination-related costs if applicable.²

15. Attached to this Stipulation as Appendix A is a list of each individual property or "site" that PGE has identified as potentially subject to EPA-assessed Portland Harbor cleanup damages and NRD damages that the Parties have agreed are the only sites eligible for inclusion in the PHERA should damages be assessed. PGE has an ongoing duty to update Appendix A if current listed sites are removed from consideration. Once PGE is notified of its share of the Portland Harbor environmental costs by site (either NRD or EPA liability), PGE will evaluate each of the identified sites as to whether the site was prudently used in utility operations and will provide the information to the Parties. Upon receiving from PGE the sites with conclusive NRD and/or EPA damage assessments, Staff and the other Parties will commence their own review as to whether each individual site provided utility service to customers and PGE's actions with regard to the property were prudent and is therefore eligible for recovery of prudently-incurred ERC. The amount of time required for Staff's review of each individual site could vary depending on the number of sites submitted and the availability of historical information, and therefore is not limited to 120 days. The Parties agree to propose to the Commission that a "Phase II" of docket UE 311 be opened for continued review of the sites listed in Appendix A and for the annual prudence

² In the event PGE terminates the Harborton Restoration Project, PGE, not customers, will be responsible for Harborton Restoration Project development and termination costs; termination costs include, but are not limited to, returning to the Trustee Council all DSAY credits previously released to PGE and reimbursing the Trustee Council for all costs the Trustee Council has incurred with respect to the review and approval of the Harborton Restoration Project. See Exhibit Staff/100, Moore/16; Exhibit Staff/102, Moore/1 (PGE's Response to Staff DR No. 1).

review of costs and revenues eligible for inclusion in the PHERA. Further, PGE will record, to the extent possible, environmental remediation assessments separately by site so that prudent costs can be functionalized to generation, transmission, and distribution for recovery in rates based on the historical function of the site.

16. Pursuant to Schedule 149 Special Condition 5, functionalized costs recoverable through Schedule 149 will be allocated to each rate schedule according to relative use of generation, distribution, and transmission service.
17. The PHERA is subject to review no less frequently than every two years, when significant new information becomes available, or during a general rate case. All aspects of the mechanism are subject to review and revision, including but not limited to, the earnings test, the exempt ERC amount, and incentives for cost management such as sharing.
18. PGE's Results of Operations (ROO) will not include the interest or accumulated deferred income taxes (ADIT) included in the PHERA. Similarly, PGE will remove all other costs and revenues included in the PHERA from the ROO. An earnings test based on the ROO, exclusive of impacts of the PHERA, will then be used to determine the amount, if any, to defer for that year.
19. Appendices B and C provide a revised Schedule 149 tariff and special conditions consistent with this Stipulation, in both clean (Appendix B) and red-line/strikeout (Appendix C) format showing changes from PGE's Application and the terms agreed to by the Parties in this Stipulation.
20. Agreeing to this Stipulation does not mean that a Party agrees that environmental

remediation should be assumed to be a customer responsibility.

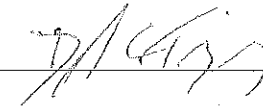
21. The Parties agree that the Commission should approve the revised tariff Schedule 149, the associated deferral, and the property sale subject to the terms and conditions specified herein.
22. The Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the issues in this docket.
23. The Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable and will meet the standard in ORS 756.040.
24. The 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.
25. The Parties have negotiated this Stipulation 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 Party reserves its right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the 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 settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission order. 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.

26. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The 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. By entering into this Stipulation, no 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 Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.
27. 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.

ORDER NO. 17 071

DATED this 16 day of December, 2016.


DOUG TINGEY
PORTLAND GENERAL ELECTRIC
COMPANY

KAYLIE KLEIN
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

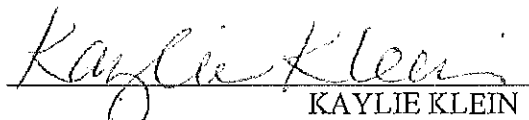
MIKE GOETZ
CITIZENS' UTILITY BOARD
OF OREGON

TYLER C. PEPPE
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

ORDER NO. 17 07.1

DATED this 14th day of December, 2016.

DOUG TINGEY
PORTLAND GENERAL ELECTRIC
COMPANY


KAYLIE KLEIN
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

MIKE GOETZ
CITIZENS' UTILITY BOARD
OF OREGON

TYLER C. PEPPLER
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

ORDER NO. 17 071

DATED this 14th day of December, 2016.

DOUG TINGEY
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COMPANY

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STAFF OF THE PUBLIC UTILITY
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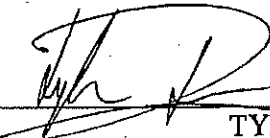
ORDER NO. 17 071

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DOUG TINGEY
PORTLAND GENERAL ELECTRIC
COMPANY

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COMMISSION OF OREGON

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CITIZENS' UTILITY BOARD
OF OREGON



TYLER G. PEPPE
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

PGE Facility Name	Portland Harbor or Down Town Reach	River Mile	Current/Former PGE Property	Facility Type
Harborton	Harbor	3.2	Current	Substation
Rivergate North & South	Harbor	3.7	Current	Substation
Linnton Substation	Harbor	5	Former	Substation
Historical Property (v), 8524 N Crawford St.	Harbor	6.3	Former	General Operations
Wacker Substation	Harbor	6.5	Current	Substation
Pennwalt North & South	Harbor	7.1	Former	Substation
Willbridge Substation	Harbor	7.2	Current	Substation
Station N	Harbor	7.6	Former	Power Plant
Historical Property (ix), Waterfront parcel adjacent to 6400 NW Front Avenue	Harbor	8.2	Former	General Operations
Yeon	Harbor	8.3	Former	Distribution
Swan Island Substation	Harbor	9.3	Current	Substation
Historical Property (vii), 3710 NW Front Ave.	Harbor	9.7	Former	General Operations
Historical Property (vi), 2737 NW Nela St.	Harbor	9.7	Former	General Operations
2700 NW Front	Harbor	10.5	Former	Pipeline
Station E East	Harbor	10.5	Current	Power Plant
Station E West	Harbor	10.5	Current	Substation
Historical Property (xiii), N Loring and N Randolph	Harbor	11.2	Former	Power Plant
Historical Property (xii), 1362-1462 NW Natio Pkwy	Harbor	11.3	Former	Power Plant
Knott Substation	Harbor	11.5	Former	Substation
Historical Property (xv), SW 1st Avenue and Ash St	DTR	12.3	Former	Plant held for future use
Historical Property (xi), SW 1st and Alder St	DTR	12.7	Former	General Operations
World Trade Center, 26 SW Salmon Street	DTR	12.9	Current	General Operations
Historical Property (xiv), SE Main and SE Water St	DTR	12.9	Former	Power Plant
Historical Property (iii), 101 SW Main Street	DTR	12.9	Former	General Operations
Hawthorne Building, 1510 SE Water Avenue	DTR	13.1	Former	Maintenance and Repair Shop
Jefferson Substation, SW Jefferson Street	DTR	13.1	Former	Substation
Historical Property (i), SE Market and Clay Waterfront	DTR	13.2	Former	Railway
Historical Property (x), Substation at SW Montgomery Street and SW Water Avenue	DTR	13.2	Former	Substation
Riverplace Properties, SW Harbor Way	DTR	13.2	Former	Non-Utility Property
Historical Property (iv), 1626 and 1800 SE Water Avenue	DTR	13.3	Former	Power Plant
Stephens Substation, 1830 SE Water Avenue	DTR	13.4	Current	Substation
Station L, SE Market Street	DTR	13.5	Former	Power Plant
Historical Property (ii), 2611 SE Fourth Avenue	DTR	13.8	Former	Distribution
Oaks Bottom, SE Sellwood Boulevard	DTR	15.5	Former	Distribution
Springwater Corridor	DTR	15.5	Current	Distribution
Riverview Substation, 600 SW Taylors Ferry Road	DTR	16.2	Current	Substation
Historical Property (viii), 7568 SW La View Drive	DTR	16.2	Former	Plant held for future use
Historical Property (xvi), 8240 SW Macadam	DTR	16.5	Former	Substation
Distribution Network Transformers	Harbor and DTR	1 - 16.5	Current	Distribution
Spills	Harbor and DTR	1 - 16.5	Current	Spills

Portland General Electric Company
P.U.C. Oregon No. E-18

Original Sheet No. 149-1

**SCHEDULE 149
ENVIRONMENTAL REMEDIATION COST RECOVERY ADJUSTMENT
AUTOMATIC ADJUSTMENT CLAUSE**

PURPOSE

This Schedule recovers the costs and revenues associated with the Portland Harbor Superfund site ("Portland Harbor"), the Natural Resource Damage obligation, the Downtown Reach portions of the Willamette River, and the Harborton Restoration Project. This adjustment schedule is implemented as an automatic adjustment clause as provided under ORS 757.210.

AVAILABLE

In all territory served by Portland General Electric Company ("PGE").

APPLICABLE

To all Schedules.

ANNUAL ACCOUNT & BALANCING ACCOUNT

By Order No. XX-XXX, the Commission approved a deferral of environmental-related costs and revenues, effective July 15, 2016, that flow into the Portland Harbor Environmental Remediation Account ("PHERA"). The PHERA Annual Account records Environmental Remediation Costs ("ERC"), the costs of developing the Harborton Restoration Project, and Environmental Remediation Revenues ("ERR"). The balance in the Annual Account that has not been reviewed by the Commission for prudence shall accrue interest at the authorized rate of return approved in PGE's most recent general rate case. Costs and revenues in the Annual Account that have been reviewed for prudence and remain following the earnings test will be transferred to the PHERA Balancing Account and will accrue interest at the average of the five-year U.S. Treasury rate plus 100 basis points (the "PURE Rate").

EARNINGS TEST

Subject to the conditions stated below, the recovery from customers of certain ERC is subject to an earnings review and test for the year that the costs were paid. Following a prudence review, PGE will be allowed to place prudent expenses and proceeds into the Balancing Account to the extent that PGE's Actual Regulated Return on Equity ("ROE") does not exceed its ROE authorized by the Commission in PGE's most recent general rate case. A fixed \$6.0 million each year in ERC and Harborton Restoration Project development costs, currently estimated at \$10-\$12 million, are not subject to the earnings test. Proceeds from insurance companies and DSAY ("Discount Service Acre Year") sales will not be subject to an earnings review, but will be subject to a prudence review.

Advice No. 16-11

Issued July 15, 2016

James F. Lobdell, Senior Vice President

Effective for service
upon Commission Order

Portland General Electric Company
P.U.C. Oregon No. E-18

Original Sheet No. 149-2

SCHEDULE 149 (Continued)

DEFINITIONS

Annual Allocated Revenue ("AAR")

The Annual Allocated Revenue is the sum of annual revenue from this Tariff plus DSAY revenues (net of prudent Harborton Restoration Project development costs), insurance proceeds, \$3.56 million currently in base rates (subject to revision by the Commission), AAR balances carried forward, and accumulated interest. The \$3.56 million per year currently in base rates will be credited to the PHERA Annual Account on a monthly basis, in the amount of \$0.2967 million, until PGE's next general rate case when the appropriate amount to be included in rates, if any, will be re-examined. For the month of July 2016, a prorated amount of \$0.1627 million shall be credited to the PHERA Annual Account. The amount of insurance proceeds and net DSAY revenues to be included in the AAR is calculated as total proceeds divided by the expected remaining life of the projects, inclusive of the year in which they are received (so that such proceeds are equally allocated). The initial assumption is that the remaining life is through 2028, and may be revised by the Commission (on a going-forward basis) in any subsequent Commission review process.

Downtown Reach

The segment of the Willamette River between River Miles 12 and 16 is known as the "Downtown Reach."

DSAY

Discount Service Acre Year ("DSAY") obligations or credits measure damage or mitigation to natural resources.

Portland General Electric Company
P.U.C. Oregon No. E-18

Original Sheet No. 149-3

SCHEDULE 149 (Continued)

DEFINITIONS (Continued)

Environmental Remediation Costs ("ERC")

Environmental Remediation Costs are costs related to remediation of the Portland Harbor and Downtown Reach sites that include, but are not limited to, the design, permitting, construction, on-going monitoring, and trustee financial requirements necessary for habitat restoration development, investigation, testing, sampling, monitoring, removal, disposal, storage, remediation, or other treatment of residues, litigation costs/expenses or other liabilities, disposal sites, sites that otherwise contain contamination that requires remediation for which PGE is responsible, or sites to which material may have migrated; the Natural Resource Damage obligation; Harborton Restoration Project O&M and endowment costs; and costs related to pursuing insurance recoveries. ERC do not include Harborton Restoration Project development costs, which include, but are not limited to, costs incurred as of the date of the UM 1789 Stipulation, development and construction costs, permitting costs, costs paid to the Trustees for participation in the NRD restoration project, and future termination-related costs if applicable. Further, the remediation sites eligible for inclusion as ERCs are limited to those sites identified in Appendix A to the UM 1789 Stipulation.

Environmental Remediation Revenues

Environmental Remediation Revenues include: (1) DSAY revenues net of prudent Harborton Restoration Project development costs; (2) insurance proceeds; (3) the amount included in base rates for environmental remediation activities at Portland Harbor or Downtown Reach; (4) the Schedule 149 tariff revenue; and (5) interest.

Harborton Restoration Project

PGE intends to design, construct, monitor and maintain the Harborton Restoration Project at 12500 NW Marina Way, Portland, Multnomah County, Oregon. PGE will restore and enhance approximately 62 acres of the 78.51 acres of the overall property.

Natural Resource Damage

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA" or "Superfund") and Oil Pollution Act ("OPA") Programs require the cleanup for contaminants that are released and pose a threat to human health and the environment. In addition to the requirements for cleanup under these cleanup programs, the Superfund and OPA cleanup programs also require that natural resources be restored to the state that they were at before injury from environmental contaminants. If natural resources are not restored, then Trustees will seek compensation for the injury, quantified as Natural Resource Damages ("NRD") from parties responsible for the release of the contaminants. NRD in this tariff refers to NRD obligations assessed against PGE.

Advice No. 16-11

Issued July 15, 2016

James F. Lobdell, Senior Vice President

Effective for service
upon Commission Order

Portland General Electric Company
P.U.C. Oregon No. E-18

Original Sheet No. 149-4

SCHEDULE 149 (Continued)

DEFINITIONS (Continued)

Portland Harbor Superfund

The Superfund designation is pursuant to CERCLA, 42 U.S.C Section 9601 et seq. The CERCLA and OPA programs require the cleanup for contaminants that are released and pose a threat to human health and the environment.

PURE

The Prudence-Reviewed Unamortized Environmental Remediation Expense ("PURE") rate that is established early each year by Staff and represents the average of the 5-year US Treasury rate plus 100 basis points.

Portland General Electric Company
P.U.C. Oregon No. E-18

Original Sheet No. 149-6

SCHEDULE 149 (Continued)

SPECIAL CONDITIONS

1. By March 15 of each year, PGE will submit a prudence review filing that includes a report of all activity associated with Harborton Restoration Project development costs, ERC, ERR, and other related third-party proceeds recorded in the PHERA Annual Account. Staff and other Parties will complete the prudence review, and Staff will submit its report and recommendation to the Commission within 120 days of submittal. Only cash expenditures will be included in the PHERA Annual Account for recovery under the PHERA mechanism. PGE shall defer, separately track, and capitalize as a regulatory asset, contingent environmental liability accruals. This regulatory asset shall not be included in rate base and PGE shall not earn a return on the balance.
2. The amount of costs and revenues that is transferred to the Balancing Account is determined on an annual basis and subject to an earnings test. The amount transferred is calculated as the current year's ERC and any remaining Harborton Restoration Project development costs not offset by that year's DSAY revenues, less the AAR. Harborton Restoration Project development costs incurred prior to the first year with DSAY revenues may be netted against those revenues.
3. The earnings test in this schedule will be applied after the Power Cost Adjustment Mechanism ("PCAM") earnings test. The amount subject to the earnings test is prudently incurred ERC that exceed \$6.0 million. In addition, Harborton Restoration Project development costs are not subject to an earnings test.
4. The amount of annual ERC recoverable post-application of the earnings test is reduced by the AAR and then the remaining balance, if any, is transferred to the Balancing Account for recovery across the following five years.
5. If ERC in any year are less than the AAR, then the remaining ARR balance will be used to offset accumulated costs in the Balancing Account that were allocated to that year. Any remaining positive balances (more AAR revenues than current and accumulated costs) will roll forward as an addition to the next year's AAR.
6. Functionalized costs recoverable through Schedule 149 will be allocated to each rate schedule according to relative use of generation, distribution, and transmission service. Long-Term Direct Access customers will be priced at Cost-of-Service for purposes of allocating costs.

Advice No. 16-11

Issued July 15, 2016

James F. Lobdell, Senior Vice President

APPENDIX A

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Effective for service
upon Commission Order

Portland General Electric Company
P.U.C. Oregon No. E-18

Original Sheet No. 149-5

SCHEDULE 149 (Continued)

ADJUSTMENT RATES

<u>Schedule</u>	<u>Adjustment Rate</u>
7	0.000 ¢ per kWh
15/515	0.000 ¢ per kWh
32/532	0.000 ¢ per kWh
38/538	0.000 ¢ per kWh
47	0.000 ¢ per kWh
49/549	0.000 ¢ per kWh
75/575	
Secondary	0.000 ¢ per kWh
Primary	0.000 ¢ per kWh
Subtransmission	0.000 ¢ per kWh
76R/576R	
Secondary	0.000 ¢ per kWh
Primary	0.000 ¢ per kWh
Subtransmission	0.000 ¢ per kWh
83/583	0.000 ¢ per kWh
85/485/585	
Secondary	0.000 ¢ per kWh
Primary	0.000 ¢ per kWh
89/489/589	
Secondary	0.000 ¢ per kWh
Primary	0.000 ¢ per kWh
Subtransmission	0.000 ¢ per kWh
90/490/590	0.000 ¢ per kWh
91/491/591	0.000 ¢ per kWh
92/492/592	0.000 ¢ per kWh
95/495/595	0.000 ¢ per kWh

Portland General Electric Company
P.U.C. Oregon No. E-18

Original Sheet No. 149-7

SCHEDULE 149 (Concluded)

SPECIAL CONDITIONS (Continued)

7. In the event that the amount in the PHERA Balancing Account results in a potential refund to customers, subject to approval by the Commission, PGE will determine if the refund should be applied to Customer bills, or if the credit balance should carry to a future period. A credit balance may be carried to a future period if it is determined by the Commission that the credit balance is best used to offset future expected ERC not yet recorded in the deferral account, or for such other reasons as the Commission may determine.
8. Adjustments under this Schedule shall continue for a period of five years following the date that the last remediation expenses are incurred and paid, or such other date that the Commission may decide.
9. Development costs associated with the creation of DSAYs from the Harborton Restoration Project shall be deferred as regulatory assets.
10. PGE shall defer and capitalize, as a regulatory asset, incurred costs associated with environmental liabilities accrued according to Accounting Standards Codification ("ASC") 410, *Environmental Obligations* and pursuant to Generally Accepted Accounting Principles ("GAAP"). Any GAAP accounting accruals recorded would not be subject to interest computation or earnings test as no cash amounts have been paid or received.
11. The PHERA is subject to review no less frequently than every two years, when significant new information becomes available, or during a general rate case. All aspects of the mechanism are subject to review and revision, including but not limited to, the earnings test, the exempt ERC amount, and incentives for cost management such as sharing.
12. If Harborton Restoration Project development costs, currently estimated at \$10-\$12 million, exceed DSAY revenues, PGE will not recover development costs from customers in excess of DSAY revenues retained by PGE. Harborton Restoration Project development costs include all costs associated with the Harborton Restoration Project development, including but not limited to, costs incurred as of the date of the UM 1789 Stipulation, development and construction costs, permitting costs, costs paid to the Trustees for participation in the NRD restoration project, and future termination-related costs if applicable.

Advice No. 16-11
Issued July 15, 2016
James F. Lobdell, Senior Vice President

Effective for service
upon Commission Order

Portland General Electric Company
P.U.C. Oregon No. E-18

Original Sheet No. 149-1

**SCHEDULE 149
ENVIRONMENTAL REMEDIATION COST RECOVERY ADJUSTMENT
AUTOMATIC ADJUSTMENT CLAUSE**

PURPOSE

This Schedule recovers the costs and revenues associated with Environmental Remediation Costs related to the Portland Harbor Superfund site ("Portland Harbor"), the Natural Resource Damage obligation, the Downtown Reach portions of the Willamette River, and the Harborton Restoration Project (Harborton), hereinafter referred to as "projects". This adjustment schedule is implemented as an automatic adjustment clause as provided under ORS 757.210.

AVAILABLE

In all territory served by the Portland General Electric Company ("PGE").

APPLICABLE

To all Schedules except Schedules 76R and 576R.

ANNUAL ACCOUNT & BALANCING ACCOUNTS ACCOUNT

Effective August 3 by Order No. XX-XXX, the Commission approved a deferral of environmental-related costs and revenues, effective July 15, 2016 PGE will establish a that flow into the Portland Harbor Environmental Remediation Account ("PHERA) annual account to record". The PHERA Annual Account records Environmental Remediation Costs, proceeds from insurance companies related to Portland Harbor, the Downtown Reach, and proceeds of sales ("ERC"), the costs of Discount Service Area Year credits (DSAYs) from developing the Harborton Restoration Project, and Environmental Remediation Revenues ("ERR"). The balance in the balancing account Annual Account that has not been reviewed by the OPUC Commission for prudence shall accrue interest at the authorized rate of return approved in the Company's PGE's most recent general rate case. Proceeds Costs and revenues in the account Annual Account that have been reviewed for prudence and remain following the earnings test will be transferred to the PHERA balancing account that Balancing Account and will accrue interest at the "PURE" average of the five-year U.S. Treasury rate developed in the UM 1635 docket plus 100 basis points (the "PURE Rate").

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EARNINGS TEST

Subject to the conditions stated below, the recovery from Customers customers of certain Environmental Remediation Costs ERC is subject to an earnings review and test for the year that the costs were incurred. The Company paid. Following a prudence review, PGE will be allowed to place prudent expenses (net of and proceeds) into the balancing account for subsequent prudence review Balancing Account to the extent that the Company's PGE's Actual Regulated Return on Equity ("ROE") does not exceed its Authorized ROE, authorized by the Commission in PGE's most recent general rate case. A fixed \$6.0 million each year in ERC and Harborton Restoration Project development costs, currently estimated at \$10-\$12 million, are not subject to the earnings test. Proceeds from insurance companies and DSAY ("Discount

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Service Acre Year") sales will not be subject to an earnings review, but will be subject to a prudency review.

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Portland General Electric Company
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SCHEDULE 149 (Continued)

DEFINITIONS

Annual Allocated Revenues Revenue ("AAR")

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The Annual Allocated Revenues Revenue is the sum of annual revenue from this Tariff plus the annual allocation of insurance proceeds and DSAY revenues (net of prudent Harborton Restoration Project development costs), insurance proceeds, \$3.56 million currently in base rates (subject to revision by the Commission), AAR balances carried forward, and accumulated interest. The \$3.56 million per year currently in base rates will be credited to the PHERA Annual Account on a monthly basis, in the amount of \$0.2967 million, until PGE's next general rate case when the appropriate amount to be included in rates, if any, will be re-examined. For the month of July 2016, a prorated amount of \$0.1627 million shall be credited to the PHERA Annual Account. The amount of insurance proceeds and net DSAY revenues to be included in Annual Allocated Revenues the AAR is calculated as the greater of \$6.5 million or total proceeds divided by the expected remaining life of the projects, inclusive of the year in which they are received (so that such proceeds are equally allocated). The initial assumption is that the remaining life is through 2028, and may be updated, as approved revised by the Commission (on a going-forward basis) in any subsequent Commission review process.

Downtown Reach

The segment of the Willamette River between River Miles 12 and 16 is known as the "Downtown Reach".

DSAY

Discount Service Acre Year ("DSAY") obligations or credits measure damage or mitigation to natural resources.

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Portland General Electric Company

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SCHEDULE 149 (Continued)

DEFINITIONS (Continued)

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Environmental Remediation Costs ("ERC")

Environmental Remediation Costs include are costs related to remediation of the Portland Harbor and Downtown Reach sites that include, but is are not limited to, the design, permitting, construction, on-going monitoring, and trustee financial requirements necessary for habitat restoration development, investigation, testing, sampling, monitoring, removal, disposal, storage, remediation, or other treatment of residues, litigation costs/expenses or other liabilities, disposal sites, sites that otherwise contain contamination that requires remediation for which the Company is responsible, or sites to which material may have migrated PGE is responsible, or sites to which material may have migrated; the Natural Resource Damage obligation; Harborton Restoration Project O&M and endowment costs; and costs related to pursuing insurance recoveries. ERC do not include Harborton Restoration Project development costs, which include, but are not limited to, costs incurred as of the date of the UM 1789 Stipulation, development and construction costs, permitting costs, costs paid to the Trustees for participation in the NRD restoration project, and future termination-related costs if applicable. Further, the remediation sites eligible for inclusion as ERCs are limited to those sites identified in Appendix A to the UM 1789 Stipulation.

Environmental Remediation Revenues

Environmental Remediation Revenues include: (1) DSAY revenues net of prudent Harborton Restoration Project development costs; (2) insurance proceeds; (3) the amount included in base rates for environmental remediation activities at Portland Harbor or Downtown Reach; (4) the Schedule 149 tariff revenue; and (5) interest.

Harborton Restoration Project

PGE intends to design, construct, monitor and maintain the Harborton Restoration Project at 12500 NW Marina Way, Portland, Multnomah County, Oregon. PGE will restore and enhance approximately 62 acres of the 78.51 acres of the overall property.

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Natural Resource Damage

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The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA" or "Superfund") and Oil Pollution Act ("OPA") Programs require the cleanup for contaminants that are released and pose a threat to human health and the environment. In addition to the requirements for cleanup under these cleanup programs, the Superfund and OPA cleanup programs also require that natural resources be restored to the state that they were at before injury from environmental contaminants. If natural resources are not restored, then Trustees will seek compensation for the injury, quantified as Natural Resource Damages ("NRD") from parties responsible for the release of the contaminants. NRD in this tariff refers to NRD obligations assigned ~~te~~assessed against PGE.

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SCHEDULE 149 (Continued)

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DEFINITIONS (Continued)

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SCHEDULE 449 (Continued)

~~DEFINITIONS (Continued)~~

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Portland Harbor Superfund

~~The Superfund designation is pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C Section 9601 et seq. The Comprehensive Environmental Response, compensation, and Liability Act of 1980 (CERCLA or Superfund) and Oil Pollution Act (and OPA) Programs programs require the cleanup for contaminants that are released and pose a threat to human health and the environment. The Superfund and OPA cleanup programs also require that natural resources be restored to the state that they were at before injury from environmental contaminants. If natural resources are not restored, then compensation for the injury, quantified as Natural Resource Damages (NRD) will be sought from parties responsible for the release of the contaminants.~~

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PURE

~~The Prudence-Reviewed Unamortized Environmental Remediation Expense ("PURE") rate that is established early each year by OPUC-Staff and represents the average of the 5-year US Treasury rate plus 100 basis points.~~

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SCHEDULE 149 (Continued)

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SCHEDULE 449 (Continued)

ADJUSTMENT RATES

Schedule	Adjustment Rate
7	0.000 ¢ per kWh
15/515	0.000 ¢ per kWh
32/532	0.000 ¢ per kWh
38/538	0.000 ¢ per kWh
47	0.000 ¢ per kWh
49/549	0.000 ¢ per kWh
75/575	
Secondary	0.000 ¢ per kWh
Primary	0.000 ¢ per kWh
Subtransmission	0.000 ¢ per kWh
<u>76R/576R</u>	
<u>Secondary</u>	<u>0.000 ¢ per kWh</u>
<u>Primary</u>	<u>0.000 ¢ per kWh</u>
<u>Subtransmission</u>	<u>0.000 ¢ per kWh</u>
83/583	0.000 ¢ per kWh
85/485/585	
Secondary	0.000 ¢ per kWh
Primary	0.000 ¢ per kWh
89/489/589	
Secondary	0.000 ¢ per kWh
Primary	0.000 ¢ per kWh
Subtransmission	0.000 ¢ per kWh
90/490/590	0.000 ¢ per kWh
91/491/591	0.000 ¢ per kWh
92/492/592	0.000 ¢ per kWh
95/495/595	0.000 ¢ per kWh

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SCHEDULE 149 (Continued)

SPECIAL CONDITIONS

1. By March 15 of each year, PGE will submit a prudence review filing that includes a report of all activity associated with Harborton Restoration Project development costs, ERC, ERR, and other related third-party proceeds recorded in the PHERA Annual Account. Staff and other Parties will complete the prudence review, and Staff will submit its report and recommendation to the Commission within 120 days of submittal. Only cash expenditures will be included in the PHERA Annual Account for recovery under the PHERA mechanism. PGE shall defer, separately track, and capitalize as a regulatory asset, contingent environmental liability accruals. This regulatory asset shall not be included in rate base and PGE shall not earn a return on the balance.
2. The amount of costs and revenues that is transferred to the Balancing Account is determined on an annual basis and subject to an earnings test. The amount transferred is calculated as the current year's ERC and any remaining Harborton Restoration Project development costs not offset by that year's DSAY revenues, less the AAR. Harborton Restoration Project development costs incurred prior to the first year with DSAY revenues may be netted against those revenues.
3. The earnings test in this schedule will be applied after the Power Cost Adjustment Mechanism ("PCAM") earnings test. The amount subject to the earnings test is prudently incurred ERC that exceed \$6.0 million. In addition, Harborton Restoration Project development costs are not subject to an earnings test.
4. The amount of annual ERC recoverable post-application of the earnings test is reduced by the AAR and then the remaining balance, if any, is transferred to the Balancing Account for recovery across the following five years.
5. If ERC in any year are less than the AAR, then the remaining ARR balance will be used to offset accumulated costs in the Balancing Account that were allocated to that year. Any remaining positive balances (more AAR revenues than current and accumulated costs) will roll forward as an addition to the next year's AAR.
6. Functionalized costs recoverable through Schedule 149 will be allocated to each rate schedule according to relative use of generation, distribution, and transmission service. Long-Term Direct Access customers will be priced at Cost-of-Service for purposes of allocating costs.

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SCHEDULE 149 (Concluded)

SPECIAL CONDITIONS (Continued)

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~~SCHEDULE 149 (Continued)~~

~~SPECIAL CONDITIONS~~

- ~~1. The amount of costs and revenues that is transferred to the balancing account is determined on an annual basis and subject to an earnings test. The amount transferred is calculated as the current year's Environmental Remediation Costs less Annual Allocated Revenues.~~
- ~~2. The earnings test in this schedule will be applied after the Power Cost Adjustment Mechanism earnings test. The first \$6.5 million of environmental remediation costs each year are not subject to an earnings test. In addition, development costs for the Harborton Restoration Project are not subject to an earnings test.~~
- ~~3. If Environmental Remediation Costs in any year exceed the greater of \$6.5 million or the Annual Allocated Revenues plus interest, then the balance is subject to an earnings test. The balance would be reduced by any over earnings and transferred to the balancing account for recovery across the following five years.~~
- ~~4. If Environmental Remediation Costs in any year are less than the Annual Allocated Revenues, plus interest, then the balance will be used to offset accumulated costs. Any remaining positive balances will roll forward to as an addition to the next year's Annual Allocated Revenues.~~
- ~~5. A applicable costs will be functionalized to distribution, generation and transmission based on the preponderance of the provided historical function. Costs recovered through this schedule will be allocated to each rate schedule as functionalized. Long-Term Direct Access customers will be priced at Cost of Service for purposes of allocating costs.~~
- ~~6.7. In the event that the amount in the PHERA balancing account Balancing Account results in a potential refund to customers, the Company, subject to approval by the Commission, PGE will determine if the refund should be applied to Customer bills, or if the credit balance should carry to a future period. A credit balance may be carried to a future period if it is determined by the Commission that the credit balance is best used to offset future expected Environmental Remediation Costs ERC not yet recorded in the deferral account, or for such other reasons as the Commission may determine.~~
- ~~7. By March 15, 2017 and each year thereafter, the Company will request Commission review and determination of prudence of Environmental Remediation Costs for the prior calendar year. The request for prudence review will include a report of all activity associated with Environmental Remediation Costs, including insurance or other third-party proceeds related to remediation activities recorded in the deferral account. The Commission shall complete the prudence review within 120 days of its submittal, after which time all costs and proceeds not deemed imprudent will be transferred to the PHERA.~~

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~~SCHEDULE 149 (Concluded)~~

~~SPECIAL CONDITIONS (Continued)~~

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- 8. Adjustments under this Schedule shall continue for a period of five years following the date that the last remediation expenses are incurred and paid, or such other date that the Commission may decide.
- 9. Development costs associated with the creation of DSAYs from the Harborton project Restoration Project shall be deferred as regulatory assets in association with the PHERA balancing account.
- 10. The Company PGE shall defer and capitalize, as a regulatory asset, incurred costs associated with environmental liabilities accrued according to Accounting Standards Codification ("ASC") 410, *Environmental Obligations* and pursuant to Generally Accepted Accounting Principles ("GAAP"). Any GAAP accounting accruals recorded would not be subject to interest computation or earnings test as no cash amounts have been paid or received.
- 11. The PHERA is subject to review no less frequently than every two years, when significant new information becomes available, or during a general rate case. All aspects of the mechanism are subject to review and revision, including but not limited to, the earnings test, the exempt ERC amount, and incentives for cost management such as sharing.
- 12. If Harborton Restoration Project development costs, currently estimated at \$10-\$12 million, exceed DSAY revenues, PGE will not recover development costs from customers in excess of DSAY revenues retained by PGE. Harborton Restoration Project development costs include all costs associated with the Harborton Restoration Project development, including but not limited to, costs incurred as of the date of the UM 1789 Stipulation, development and construction costs, permitting costs, costs paid to the Trustees for participation in the NRD restoration project, and future termination-related costs if applicable.

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