ORDER NO. 25-323

ENTERED Aug 20 2025

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1789

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Prudence Review of Portland Harbor Environmental Remediation Expenses.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on August 19, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey
Chief Administrative Law Judge

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 Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA3

PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: August 19, 2025

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** _____ **N/A**

DATE: August 8, 2025

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Scott Gibbons and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1789)
Prudence Review of Portland Harbor Environmental Remediation 2024 Expenses.

STAFF RECOMMENDATION:

Approve Portland General Electric Company's (PGE or Company) request to find that the Portland Harbor Environmental Remediation Costs incurred from January 1, 2024 through December 31, 2024, as well as Harborton Development Costs, are prudent and eligible for recovery.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request to find costs and revenues associated with the Portland Harbor Superfund sites prudent and allow those amounts to be transferred to the Portland Harbor Environmental Remediation Account (PHERA).

Applicable Law

The PHERA cost recovery mechanism, which includes a deferral of costs and revenues, and the Company's corresponding Schedule 149, were first approved by the Commission in Order No. 17-071. The deferral was most recently reauthorized by the

Commission in Order No. 23-490, which authorized a 12-month deferral effective July 20, 2023.

In Order No. 17-071, the Commission determined that costs and revenues associated with environmental remediation and restoration activities in the Portland Harbor Superfund site would be reviewed annually for prudence prior to being transferred to a balancing account whereby costs would be offset by certain revenues and subsequently eligible for recovery through an amortization schedule. To determine whether a cost was prudently incurred and recoverable in rates, "the Commission examines the objective reasonableness of a company's actions measured at the time the company acted."[1]

Analysis

Background
The PHERA is a cost recovery mechanism that tracks and records costs and revenues associated with PGE's liability for environmental remediation and restoration in the Portland Harbor Superfund sites located in and along the Willamette River.[2] The mechanism tracks and then allocates costs and revenues for recovery over a period of time, and includes an automatic adjustment clause to enable PGE to recover prudent costs that meet an earnings test threshold that are in excess of revenues received from insurance recovery, and from DSAY sales.[3] The Commission approved the PHERA in Order No. 17-071, and as part of that approval, the Company is required to submit annually a report of its costs and revenues for Staff to review for prudence and subsequent inclusion in the PHERA balancing account.

Staff Review
Staff reviewed the Company's filing, associated work papers, and Annual Report to ensure that costs to be included in the PHERA are: a) actually incurred; b) solely incremental and associated with the environmental remediation and restoration activities as defined in the Commission Order; c) reasonable; and d) correctly accounted for in the PHERA. Staff also reviewed the accounting procedures to ensure that costs and revenues are accounted for in a manner consistent with the Stipulation and the Commission's Order.

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1 In re PacifiCorp, dba Pacific Power, Application for an Accounting Order Regarding Excess Net Power Costs, Docket No. UM 995, Order No. 02-469 at 4 (July 18, 2002).

2 See Order No. 17-071, Docket No. UM 1789 for complete background and detailed description of PHERA mechanism.

3 DSAYs – Discount Service Acre Years are credits generated by a restoration project that reflect quantified units of restored natural resources. These credits can be monetized and sold to other liable parties.

During the reporting period, PGE incurred approximately **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in ERCs: **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** for the Portland Harbor Superfund Site;**[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** for Downtown Reach remediation activities; **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in legal defense costs; **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in Harborton Operations and Maintenance costs. These amounts have accrued **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in interest. These ERCs are offset by **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in ERRs from insurance recovery proceeds, interest accrual, and carry-forward amounts from previous year's offset. The net balance of ERC's for 2024 is **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**.[4]

Harborton Restoration Project Development Costs (Harborton Costs) are also accounted for in the PHERA but treated differently. These costs are not allocated for recovery by ratepayers, nor offset by insurance proceeds, nor subject to earnings review. Rather these costs will be offset by the sale of DSAYs that are created as a result of the Harborton project. However, Harborton Costs are also subject to prudence review by the Commission. To date PGE has incurred approximately **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in Harborton Development Costs, out of an originally projected $10-$12 million total costs when the project is completed.

As noted above, the total of ERC's incurred in 2024 was less than $6 million, and therefore not subject to the earnings test specified in Order No. 17-071:

> 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. ERCs exceeding $6 million will be reduced by any earnings above PGE's authorized return on equity approved in the most recent general rate case.

Portland Harbor Superfund costs

- Participation in the harbor Participation and Common Interest Agreement (PCI) Group. The PCI group employs professional consultants to help determine the share of harbor cleanup costs for each responsible party, and

[4] *See* Confidential Attachment 1 Annual Report – PGE's accounting summary of ERCs and ERRs in the PHERA.

also provides a joint defense to resolve the Environmental Protection Agency's (EPA) claims against the parties.

- Creation of expert report summaries for closing out the analysis of contaminant contribution to the harbor over time.
- Review and negotiation of consent decrees for the Portland Harbor Natural Resource Trustee Council to finalize PGE's natural resource damages (NRD) liability.

Downtown Reach Remediation Costs
Costs incurred during this period include performance monitoring of existing sediment caps. Costs were also incurred to respond to DEQ comments on the RM 13.1 monitoring report submitted in 2021.

Legal Expenses
Outside legal support is utilized for the allocation process, negotiations with EPA and DEQ regarding cleanup, and negotiations with the Natural Resource Trustees and US Department of Justice regarding assessment of NRDs.

Harborton Project Development Costs
PGE incurred O&M costs at Harborton related to: site monitoring, NRD trustee report review fees, plant/site irrigation, invasive weed control, site security, monitoring supplies, and reporting to the Trustees and other state agencies.

Staff did not find compliance issues with Commission Order No. 17-071 when reviewing PGE's calculations and accounting.

Conclusion

Staff finds that the offsetting and interest calculation fully complies with the stipulation and Commission Order set forth in UM 1789. Staff notes that because total ERC amounts were below $6 million, an earnings test need not be performed prior to offsetting ERCs with ERRs. PGE correctly kept Harborton development costs as a separate line item in the PHERA balancing account for better tracking of its costs to ensure the total revenues from the project exceed the development costs upon project completion. Staff found no calculation errors and believes that the subsequent balance in the PHERA balancing account is correct.

In addition, Staff believes that the costs submitted in PGE's filing are prudently incurred costs and should be included in the PHERA.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve PGE's request to find that the Portland Harbor Environmental Remediation Costs incurred from January 1, 2024 through December 31, 2024.

CA3 - PGE UM 1789 PHERA Prudence Review 2023