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October 19, 2009

*Via Electronic Filing and U.S. Mail*

Oregon Public Utility Commission  
Attention: Filing Center  
550 Capitol Street NE, #215  
PO Box 2148  
Salem OR 97308-2148

**Re: UM 1355 – INVESTIGATION INTO FORECASTING FORCED OUTAGE  
RATES FOR ELECTRIC GENERATING UNITS**

Attention Filing Center:

Enclosed for filing in UM 1355 are an original and one copy of:

**PORTLAND GENERAL ELECTRIC COMPANY'S RESPONSE TO NOTICE OF  
INTENT TO MODIFY STIPULATIONS AND ESTABLISH RATE CALCULATION**

This document is being filed by electronic mail with the Filing Center. An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided.

This document is being served upon the UM 1355 service list.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "DCT", is written over a faint, larger signature that appears to be "Douglas C. Tingey".

**DOUGLAS C. TINGEY**  
Assistant General Counsel

DCT:jbf  
Enclosures  
cc: Service List-UM 1355 (w/enclosures)

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**UM 1355**

In the Matter of: )  
 )  
PUBLIC UTILITY COMMISSION OF ) **PORTLAND GENERAL ELECTRIC**  
OREGON, ) **COMPANY’S RESPONSE TO**  
 ) **NOTICE OF INTENT TO MODIFY**  
 ) **STIPULATIONS AND ESTABLISH**  
Investigation Into Forecasting Forced Outage ) **RATE CALCULATION**  
Rates For Electric Generating Units )

Portland General Electric Company (“PGE”) submits this response to the Commission’s Notice of Intent to Modify Stipulations and Establish Rate Calculation dated October 7, 2009. That Notice requires each party to notify the Commission as to whether it intends to reject the intended changes and exercise its rights under OAR 860-014-0085.

**PROCEDURAL HISTORY**

This docket was initiated almost two years ago. Since that time the parties, including Staff of the Public Utility Commission (“Staff”), customer groups, and utilities have filed comments, developed an issues list, filed testimony, and held workshops including one with the Commissioners. Numerous issues regarding the calculation and forecasting of forced outage rates were unresolved at the time of that last workshop, and the parties had diverse views regarding the issues as set out in the testimony filed with the Commission.

After the May 28, 2009 workshop, the parties continued to work with each other, as the Commission had encouraged, and held settlement conferences. As a result, PGE and the other parties were able to work out a compromise and settlement of the issues with respect to PGE. On August 19, 2009, a Stipulation between PGE, Staff, the Citizens’ Utility Board of Oregon

("CUB"), and the Industrial Customers of Northwest Utilities ("ICNU") (collectively the "Stipulating Parties") was filed with the Commission. On September 9, 2009, the Stipulating Parties filed joint testimony providing further explanation and support for the Stipulation. Six specific issues were addressed and resolved. By its terms that Stipulation settled "all issues in this docket with respect to PGE." *Stipulation* ¶ 1. The Stipulation also states that "[b]y entering into this Stipulation, the Stipulating Parties do not agree that the resolution of the issues set forth below for PGE is appropriate for any other utility." *Stipulation*, p.1.

### **THE COMMISSION'S NOTICE OF INTENT TO MODIFY THE STIPULATION**

The Commission's Notice states that the Commission intends to adopt the PGE Stipulation settling all issues with one significant modification: removal of the paragraph concerning the "forced outage rate collar" for coal fired plants and in its place inserted a paragraph implementing a collar with a potentially much different impact in years when the collar is reached. Briefly, the proposed change to the collar mechanism would be that in years when it is triggered (i.e. the forced outage rate ("FOR") is either lower than the 10<sup>th</sup> percentile, or higher than the 90<sup>th</sup> percentile), instead of using the 10<sup>th</sup> or 90<sup>th</sup> percentile respectively in the four-year FOR average for forecasting, the life of the plant FOR would be substituted.

For the reasons set forth below, PGE cannot agree to this change in the Stipulation. PGE continues to urge the Commission to adopt the Stipulation as submitted as a reasonable resolution of all issues in this docket with respect to PGE. PGE continues to support that Stipulation. However, if the Commission will not adopt the Stipulation as submitted, PGE must then (1) exercise its rights under paragraph 7 of the Stipulation and withdraw from the Stipulation, and (2) assert its rights under OAR 860-014-0085(6) and request "sufficient opportunity on the record to present evidence and argument on the matters contained in the

settlement or stipulation.” PGE requests that a schedule be set for additional testimony and a hearing to address all of the issues addressed in the Stipulation.<sup>1</sup>

The Stipulation was negotiated and agreed to by PGE and the other Stipulating Parties as a whole. No party received all that it advocated. The Stipulation was a compromise as an entire package. Each party likely had different analysis regarding an appropriate outcome for each of the six issues resolved. As such, the settlement was very likely not the precise outcome any party would have desired. But, taken as a whole, each of the stipulating parties determined that the settlement was acceptable and would lead to a fair and reasonable ratemaking result. PGE cannot agree to the entirety of the settlement with a significant change to one of its terms and no change to any other terms. For example, PGE had concerns about the use of the 10<sup>th</sup> and 90<sup>th</sup> percentiles of NERC data for the trigger for a collar and addressed those concerns in testimony. PGE also addressed concerns about the operation of the collar when it was triggered. However, as part of the resolution of all issues in this docket, PGE was willing to accept the 10/90 percentile proposal as described in the Stipulation. As discussed below however, the proposed change to the 10/90 percentile proposal makes it even less appropriate for PGE’s system, and PGE would not and cannot agree to it.

### **THE PROPOSED COLLAR MECHANISM**

PGE’s concerns about the terms of the collar mechanism set forth in the Commission’s notice will be addressed in further testimony in this docket if such testimony is needed, but some are briefly described below.

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<sup>1</sup> After PGE had settled all issues (but before the Stipulation was drafted and signed by the stipulating parties) there were two rounds of testimony filed by other parties in this docket addressing outstanding issues. PGE did not participate, and no party addressed PGE issues in that testimony, because the settlement had been reached. At a minimum, PGE should be afforded the opportunity to submit supplemental testimony to the same extent as allowed other parties.

The proposal has not been vetted. This proposed collar mechanism has not been vetted through the regulatory process. A proposal to use a 20-year average was made in the last round of testimony by one party, ICNU, and ICNU had previously joined in the PGE Stipulation. ICNU was therefore not advocating this approach for PGE. No other parties, including PGE, have had the chance to file testimony regarding either the substitution of a 20-year average, or the substitution of the average over the life of the plant, in calculating forced outage rates. There is not an adequate record in this proceeding for the Commission to adopt such an approach. At a minimum, more process is needed to explore this idea.

The proposed approach would cause further discontinuities. The proposed collar approach would cause discontinuous and anomalous results when triggered. A plant whose annual FOR falls at the 10<sup>th</sup> percentile would use that annual FOR in the subsequent four-year averages. However, a plant in the 9.9<sup>th</sup> percentile would use a potentially significantly different, and higher, number in the four-year average. A very small change in operations could cause a significant change in the four-year average projection, potentially significantly greater than the NERC collar proposed in the Stipulation. In addition, there is nothing in the record that addresses how significant that change could be. There is no evidence in the record as to what the life of the plant FOR is for any of PGE's plants. It may be assumed that a life of the plant average will be somewhere toward the middle of the distribution of the NERC data, but that is not known. For any given plant, the life of the plant FOR could fall toward one of the tails of the NERC data distribution.

Again, at a minimum, this proposal needs to be examined more thoroughly through the regulatory process.

The proposal appears inconsistent with the use of a four-year average. The four-year average was adopted, and has been used for over 20 years, as a reasonable and appropriate predictor of future forced outages for specific plants for ratemaking purposes. One of the reasons for its adoption and use is that more recent plant experience is a better predictor of performance next year. Staff's 1984 memorandum stated:

The reason I propose using a 48-calendar month rolling average is that it reflects recent plant experience, which I think tends to better portray expected operation over the coming year. Four years of experience is sufficient to average out variations and yet not include generally irrelevant experience from history long past.  
*PGE Exhibit 101/Hager-Tinker/5.*

The continued use of the four-year average was one of the issues explored in depth in this docket. There was no significant dispute regarding the underlying premise that more recent plant experience is a better predictor of future performance. The parties to the PGE Stipulation also stated that they "generally believe that the four-year average continues to be the best method to forecast future outage rates." *STAFF-ICNU-CUB-PGE/100/Brown-Falkenberg-Jenks-Hager/5.* Given that, then inclusion of a life of the plant average – which would be over 20 years for PGE coal plants – is likely to be detrimental to the predictive ability of the four-year average.

Older data are particularly less relevant to future operations when there are changes to generating plants or their uses. PGE's Boardman plant is a good example. In its early years Boardman experienced extended economic shutdowns that may have influenced its forced outage rate. The future operation of Boardman is being addressed in the current Integrated Resource Plan and elsewhere. Changed environmental requirements will require the addition of a number of environmental controls at Boardman if it is decided that continued operation is the appropriate

path going forward. The existence of those controls will provide at least the possibility of additional forced outages – with more equipment in operation there is more potential for something to cause an outage. Older outage data are, particularly in this instance, “generally irrelevant experience from history long past” as Staff put it. Again, this is something that needs to be explored much more thoroughly on the record in this docket.


Data problems. The Commission’s proposed language refers to “the unit’s entire historical data.” There is no evidence in the record as to what data are available regarding the distant past operations of PGE’s Boardman plant. PacifiCorp has offered some comments on the availability of data for Colstrip 3 and 4, in which PGE also owns a percentage, but PGE has not verified that it has the same records, or that the records are sufficiently detailed and accurate to be used to calculate a forced outage rate for ratemaking purposes. What we do know is that locating, verifying and analyzing decades of data for Boardman and Colstrip will be time consuming and costly. It may also cause additional disputes at the Commission regarding how a particular outage or outages from many years ago should be categorized. Particularly since we do not believe use of such data will improve the FOR forecasts, PGE would like to avoid these costs and potential disputes.

## **CONCLUSION**

PGE continues to recommend that the Commission adopt the Stipulation in this docket as submitted. If that is not the decision of the Commission, then PGE exercises its rights under the Stipulation and applicable administrative rules to withdraw from the Stipulation, and requests additional proceedings, including testimony and hearing, to address all the issues dealt with in the Stipulation. PGE does not believe an adequate record exists for the Commission to adopt the

proposed change to the “FOR collar” as set forth in its Notice. PGE further respectfully requests that the Commission reconsider its collar proposal for the reasons set forth above.

DATED this 19<sup>th</sup> day of October, 2009.

  
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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused **PORTLAND GENERAL ELECTRIC COMPANY'S RESPONSE TO NOTICE OF INTENT TO MODIFY STIPULATIONS AND ESTABLISH RATE CALCULATION** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. 1355.

Dated at Portland, Oregon, this 19th day of October 2009.

  
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DOUGLAS C. TINGEY

SERVICE LIST

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