

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1355

In the Matter of)	
)	CITIZENS' UTILITY BOARD
THE PUBLIC UTILITY COMMISSION)	OF OREGON'S REPLY BRIEF
OF OREGON,)	
)	
Investigation into Forecasting Forced)	
Outage Rates for Electric Generating Units.)	
_____)	

I. PACIFICORP'S ARGUMENT IS ESSENTIALLY "BUT WE'VE ALWAYS DONE IT THAT WAY".

- 1. The UM 1355 Docket was opened for the purpose of exploring whether the Commission needed to revise its handling of forced outage rates of whether it should continue to handle forced outage rates in the same way.**

PacifiCorp in its Opening Brief returns over and over again to the mantra that it has always handled forced outage rates in the same way and that the Commission has always found in its favor in that regard.¹ What PacifiCorp does not note is that it argued in the UE 191 Docket that since there was a generic docket on Forced Outages Pending that the Commission should not address those issues in that case.² PacifiCorp's argument that it has always done things a certain way and the Commission has always found in its favor misses the point of the UM 1355 Docket. The whole purpose to the opening of this

¹ PacifiCorp's Opening Brief at 4.

² UE 191 Order No. 07-446 at 17. "Pacific Power observes that in Order No. 07-015 the Commission also recognized a need for a policy-based generic review of the calculation of forced outage rates for ratemaking. In that order, we stated it we would open a new generic docket to examine this issue. Pacific Power argues that there are several policy issues implicated by ICNU's proposed adjustment that should be addressed in the Commission's generic proceeding, rather than in this case."

docket was to explore whether the Commission needed to revise its handling of forced outage rates in order to obtain more accurate results. Parties to this docket have reviewed various alternative avenues as to how to compute forced outage rates and the consensus amongst the intervenors is that the methodology previously used by the Commission does indeed need to be changed.

In docket UE 180 the Commission noted that:

[s]ince 1984, the Commission has generally used a four-year rolling average of actual unit forced outage rates to determine a unit's normal forced outage rate. *See id.* at 4. *The policy arose from a Staff recommendation which argued that the four-year rolling average "is sufficient to average out variations and yet not include generally irrelevant experience from history long past."* *See* PGE opening brief, 42 (citing Staff/102, Galbraith/1-21).³

Having based its prior methodology on a Staff recommendation it certainly seems reasonable that should Staff, with continued review of this matter, revise its recommendation that the Commission too would review and potentially change its prior methodology. That was the purpose of the UM 1355 docket.

While we decide that this is the best decision for this case, we appreciate the concerns of the parties that the four-year rolling average may not always be the most accurate forecast of future outages. For this reason, we will open a new generic docket to examine this issue.⁴

And, should PGE, the Company involved in the UE 180 record also change its position on use of what is now referred to a "the NERC Collar" this too should be evidence tending towards the Commission's review and adoption of a new methodology in this matter.⁵ But, as CUB has previously stated, CUB agrees that one size does not fit all and even with the adoption of a general standard there has to be room for adaptation within

³ UE 180 Order No. 07-015 at 13 (*emphasis added*).

⁴ UE 180 Order No. 07-015 at 15 (*emphasis added*).

⁵ UM 1355 Stipulation Regarding All Issues for PGE

that standard for each Company. The other Stipulations filed in this manner evidence this fact. This is not to say that CUB agrees with PacifiCorp that the size and type of its fleet make it any more unique than any other Company. The basic NERC Collar should be applicable to all thermal plants with the exceptions noted in each Stipulation.

2. PacifiCorp's argument that the NERC Collar and the PCAM are, or should be, related is a red herring.

PacifiCorp's claim that the NERC collar is related to the PCAM is a red herring. While it is true that PacifiCorp is the only Oregon electric utility that does not have a PCAM and it is true that PacifiCorp is the only Oregon electric company that has not agreed to the NERC collar for coal fired power plants, this does not prove that the NERC collar is somehow related to the PCAM. PUC Order 07-015 which established PGE's PCAM makes no reference to coal facilities. In fact, variations in hydro production were at the forefront of discussions of the PCAM. The PCAM is a mechanism that allocates significant excursions between actual costs and forecasted costs. While such a mechanism may apply to a forced outage at a coal plant, that outage would have to be very significant because there are two deadbands that apply to the PCAM. First, if the utility's earnings are within 100 basis points of its authorized ROE, there will be no PCAM adjustment. Second, the utility must absorb costs that are equal to 150 basis points of ROE before any costs can be allocated to customers.

This is not a generous mechanism that allows a utility to pass on the cost of extreme forced outages to customers. Costs that are excluded from the forced outage rate by the NERC collar will flow first into one deadband, and then into the second deadband. PacifiCorp's claim that it is disadvantaged because it does not have a PCAM and would have to use a deferral is not supported. A deferral does have the disadvantage that it is

not automatic and the Company has to know at the beginning of an outage the extent of the outage. But utilities file deferrals even when their earnings are within the PCAM earning deadband. So deferrals also have advantages over PCAMs. Cost recovery of extraordinary extreme outage events is not guaranteed for any utility regardless of whether the utility has a PCAM or uses a deferral.

3. PacifiCorp argues that there should not be any changes made to the GRID model.

PacifiCorp argues that no changes need to be made to the GRID model because it operates just fine. But in making its argument PacifiCorp repeatedly notes that:

[t]he fact that GRID models far more coal generation than PacifiCorp actually has undermines any suggestion that PacifiCorp’s forced outage rate understates coal unit availability.

CUB would argue, to the contrary that the fact that the GRID model “models far more coal generation than PacifiCorp actually has” undermines PacifiCorp’s own argument that the GRID model does not need to be corrected.⁶ The Commission itself has previously found that the GRID model is not entirely accurate.⁷

4. Heat Rate Curve Minimum Deration.

As noted in CUB’s Opening Brief, CUB did not submit testimony related to this matter but having reviewed the testimony provided by the Company, Mr. Randy Falkenberg, and by Ms. Kelcey Brown, CUB supports ICNU’s position on this issue and believes that this methodology problem needs to be fixed in GRID for results to be realistic.

⁶ PacifiCorp’s Opening Brief at 8-9.

⁷ UE 191 Order No. 07-446 at 10 (“Thus, we accept Staff’s premise that the GRID model systematically understates the extent of Pacific Power’s wholesale market activities.”)

II. CONCLUSION

CUB respectfully recommends that the Commission adopt Staff's proposed NERC Collar. CUB also supports ICNU's requested heat rate curve minimum deration adjustment.

DATED this 24th day of September, 2009.

Respectfully submitted,



G. Catriona McCracken #933587
Staff Attorney
Citizens' Utility Board of Oregon
610 SW Broadway Ste 308
Portland, OR 97205
(503) 227-1984
Catriona@oregoncub.org

UM 1355 – CERTIFICATE OF SERVICE

I hereby certify that, on this 24th day of September, 2009, I served the foregoing **REPLY BRIEF OF THE CITIZENS' UTILITY BOARD OF OREGON**, in docket UM 1355 upon each party listed in the UM 1355 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending an original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

(W denotes waiver of paper service)

(C denotes service of Confidential material authorized)

C **DEPARTMENT OF JUSTICE**
MICHAEL T. WEIRICH
ASSISTANT ATTORNEY GENERAL
RUBS
1162 COURT ST NE
SALEM OR 97301-4096
jason.w.jones@state.or.us

OPUC
KELCEY BROWN
PO BOX 2148
SALEM OR 97308-2148
kelcey.brown@state.or.us

PORTLAND GENERAL ELECTRIC
RATES & REGULATORY AFFAIRS
121 SW SALMON ST 1WTC 0702
PORTLAND OR 97204
pge.opuc.filings@pgn.com

PORTLAND GENERAL
ELECTRIC
DOUGLAS C. TINGEY
121 SW SALMON ST 1WTC 1301
PORTLAND OR 97204
doug.tingey@pgn.com

C **RFI CONSULTING INC.**
RANDALL J. FALKENBERG
PMB 362
8343 ROSWELL RD
SANDY SPRINGS GA 30350
consultrfi@aol.com

C **DAVISON VAN CLEVE**
MELINDA DAVISON
333 SW TAYLOR – STE 400
PORTLAND, OR 97204
mail@dvclaw.com

W **IDAHO POWER COMPANY**
C Lisa D. Nordstrom
Attorney
PO BOX 70
BOISE ID 83707-0070
lnordstrom@idahopower.com

W **IDAHO POWER COMPANY**
CHRISTA BEARRY
PO BOX 70
BOISE ID 83707-0070
CBEARRY@idahopower.com

W **IDAHO POWER COMPANY**
C Gregory W. Said
Dir. Of Revenue Requirement
PO BOX 70
BOISE ID 83707-0070
gsaid@idahopower.com

W **IDAHO POWER COMPANY**
C Tim Tatum
PO BOX 70
BOISE ID 83707-0070
ttatum@idahopower.com

W **PACIFIC POWER AND LIGHT**
C **MICHELL R. MISHOE**
LEGAL COUNSEL
825 NE MULTNOMAH STE 1800
PORTLAND OR 97232
Michelle.mishoe@pacificorp.com

W **McDOWELL & RACKNER PC**
C WENDY McINDOO
OFFICE MANAGER
520 SW 6TH AVE STE 830
PORTLAND OR 97204
wendy@mc-d-law.com

W **IDAHO POWER COMPANY**
C BARTON L. KLINE
SENIOR ATTORNEY
PO BOX 70
BOISE ID 83707-0070
bkline@idahopower.com

W **IDAHO POWER COMPANY**
C Scott Wright
PO BOX 70
BOISE ID 83707-0070
swright@idahopower.com

W **PACIFICORP OREGON**
C **DOCKETS**
825 NE MULTNOMAH STE 1800
PORTLAND OR 97232
Oregondockets@pacificorp.com

W **McDOWELL & RACKNER PC**
C LISA F. RACKNER
ATTORNEY
520 SW 6TH AVE STE 830
PORTLAND OR 97204
lisa@mc-d-law.com

Respectfully submitted,



G. Catriona McCracken
Staff Attorney
The Citizens' Utility Board of Oregon
610 SW Broadway, Ste. 308
Portland, OR 97205
(503)227-1984
Catriona@oregoncub.org