BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 208

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY 2010 Annual Power Cost Update Tariff (Schedule 125)	)
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REPLY TESTIMONY

OF THE

CITIZENS' UTILITY BOARD OF OREGON

REDACTED

July 8, 2009

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 208

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY 2010 Annual Power Cost Update Tariff (Schedule 125)	REPLY TESTIMONY OF THE CITIZENS' UTILITY BOARD OF OREGON ***(Confidential Material Redacted)***

Our names are Bob Jenks and Gordon Feighner. Our qualifications are listed in CUB Exhibit 101.

I. Introduction.

Over the last year, CUB, other intervenors and Oregon's regulated utilizes have participated in docket number UM 1355, which primarily concerned forced outage rates, but also looked at planned maintenance. That docket and its associated workshops were very helpful to CUB; CUB was able to examine and compare how PGE and PacifiCorp each model outages. As a result of this examination, CUB developed significant concerns regarding the methodology that PGE uses to forecast planned maintenance at its thermal plants. CUB is recommending that the Commission require two changes to the methodology that PGE uses. First, CUB recommends that PGE no longer be allowed to update its forecast of planned maintenance after CUB, staff and other intervenors have

finalized their testimony. Second, CUB recommends that the PUC order PGE to use a historic average of actual maintenance rather than forecasting such maintenance.

Although CUB has raised these issues in docket UM 1355, CUB feels the need to raise these same issues in this docket for two reasons. First, this docket is setting PGE's power cost rates for 2010, including the planned maintenance schedule for PGE's thermal plants. If CUB objects to PGE's methodology used to forecast planned maintenance in the AUT, this docket is the proper venue to contest it. Second, even though planned maintenance was on the consolidated issues list in UM 1355, and even though the hearings officer has rejected the request by PGE and PacifiCorp to limit the scope of that docket, PGE continues to argue that the issue of planned maintenance should be dealt with in this AUT proceeding[1]:

> Parties, however, have taken this opportunity to propose a new methodology to forecast planned maintenance outages, which is not part of the forced outage rate determination. Indeed, PGE believes that its current method of estimation for planned maintenance outages is superior to that proposed by other parties. However, the appropriate venue for this discussion is PGE's AUT filing or a general rate case, not a forced outage docket.

UM 1355, PGE/200/page 3.

At the May 18th workshop with the Public Utility Commissioners, PGE argued that planned maintenance outage issues did not belong in the UM 1355 docket because they did not relate to forced outages, which were the primary issue in that docket:

[1] UM 1355, Ruling, Motion to Limit Scope of Docket, Motion Denied, 5-27-2009

> PGE proposes to move specific technical issues either to a second phase of this proceeding or into the 2010 Annual Power Cost Update (AUT) for further discussion/resolution…
>
> The issue is outside the scope of this proceeding as it relates to planned maintenance outages (PMO), not forced outages.
>
> UM 1355, PGE power point presentation, May 18th workshop /page 6-7.

Finally, we note that while PGE has argued in UM 1355 that the appropriate "venue for this discussion" of planned maintenance outages is PGE's AUT filing, PGE's Opening Testimony in this AUT contains no discussion of planned maintenance. This absence is conspicuous, given that the costs of planned maintenance are included in PGE's MONET output for 2010; the Minimum Filing Requirements PGE issued after its filing included the forecast of planned maintenance outages for some plants and included a placeholder for other plants where PGE's forecast was not yet available; and PGE intends to update its actual forecast of planned maintenance in this docket in September.[2]

II. PGE's Forecast of Thermal Maintenance.

It is important to recognize that Maintenance Outages are a significant cost. CUB Confidential Exhibit 102 provides our estimate of the cost of replacement power during planned maintenance outages from PGE's April filing. The cost is [redacted] and is based on the forecast of planned maintenance outages for non-PGE operated plants (Colstrip 3 & 4), and a placeholder for PGE's [redacted].[3] As noted in the "Introduction" above, PGE's actual forecast of planned maintenance at these plants will be added to the case later in the docket.[4] For the gas plants, much of the cost

[2] UE 206/PGE/100/1.
[3] CUB Exhibit 103
[4] UE 206/PGE/100/1.

of planned maintenance is offset by the savings from not running the plants during the maintenance outage. Coal plants, on the other hand, have lower operating costs, yielding a net cost (replacement power minus variable operating costs) of [redacted] for planned maintenance in 2010.[5] This is clearly a significant cost for the utility and its customers.

CUB has two concerns related to PGE's proposal for planned maintenance reporting in this docket. First, PGE's plan for maintenance for some of its company-operated plants was not included in their April filing. The actual maintenance that is used for ratemaking purposes will be added to this docket by PGE in a future update. CUB and the other intervenors are currently scheduled to have only this one round of testimony in July 2009. Thus PGE's plan for maintenance at some of its company-operated plants will not be available until long after CUB and the other intervenors have submitted their testimony in this docket. CUB and the other intervenors will therefore have no opportunity to address these actual maintenance costs, which might well be significantly higher than the placeholders provided in the April filing. Second, CUB is concerned that PGE has routinely been overestimating the amount of time needed for planned maintenance. CUB now believes that the actual costs for planned maintenance are considerably less than the costs that have been included in rates in the past, and will continue to be less than will be put into rates in the future unless the Commission changes the current methodology for calculating planned maintenance costs.

A. The Use of "Placeholders" in PGE's filing.

In its PowerPoint presentation to the PUC in UM 1355, PGE made two claims about its planned maintenance forecasts:

[5] CUB Exhibit 102

> The proper forecasting method for PMO may vary from one utility to another. PGE has a relatively small number of generation facilities and we can obtain detailed information regarding PMO for future years on a timely basis.
>
> *And*
>
> PGE's forecast of PMOs is an accurate predictor of actual PMOs. Not using our plans for maintenance outage would result in a less accurate forecast of NVPC.
>
> UM 1355/PGE power point presentation/5/28/09 page 7.

This description, however, does not mention the use of "placeholders." Confidential CUB Exhibit 103 is from the Minimum Filing Requirements that PGE sent to the parties along with its opening testimony. This Exhibit shows that while PGE was able to get a forecast of the maintenance schedule for the two non-Company owned Colstrip units, PGE was unable to provide such an estimate for its Company-owned [redacted] plants. Instead, the Company's AUT filing included placeholder values for these plants. The actual forecasts will be "updated" as late as September 2009.[6]

CUB does not believe that PGE's production of its planned maintenance forecasts for these plants, after the time for intervenor testimony and briefs has passed, is "timely." Good ratemaking should ensure review of all significant costs. Planned maintenance is a significant cost.

The regulatory process is built on the expectation that customer representatives and the PUC staff get to review all costs that are used to set rates. CUB and the other intervenors should have the opportunity to challenge costs that they do not think are reasonable. But how do you challenge a placeholder? CUB could offer testimony in this

[6] UE 208/100/1

docket saying the Company has failed to meet its burden of proof that Boardman will be shut down for maintenance for [redacted] days in 2010. However, since [redacted] days is just a placeholder value and not a real number that is going into rates, what purpose does challenging this figure serve? Not disclosing the actual cost (or even a true forecast of the actual cost) that will be included in annual rates until September of each year creates a serious flaw in this process – a flaw big enough for a utility to work out a significant monetary advantage for itself, should it be so inclined.

i. Under the current methodology, PGE can adjust its rates without scrutiny from the parties and could therefore, create whatever cost it wants for its September filing.

Allowing PGE to not produce a forecast until September permits the Company to adjust its rates without scrutiny from the parties. For example, Confidential CUB Exhibit 102 currently shows that Colstrip 3 is projected to have [redacted] days of planned maintenance in 2010. CUB calculates the cost of this outage as [redacted]. Under the current methodology, PGE could add a million dollars to rates by increasing the planned maintenance for Colstrip by just [redacted] days. If the utility was concerned about a $5 million adjustment proposed by a party, it could add [redacted] days to the outage to ensure that the proposed adjustment was offset.

Under the proposed schedule, the September update happens just before the Commission decision. At that point, the record is closed, data requests have ended, and customers have little ability to contest the maintenance schedule. CUB is not suggesting that PGE ***has*** done this or that PGE ***would*** do this in this docket, only that PGE ***could*** do this.

B. Are PGE's Forecasts Accurate?

CUB Exhibit 104 is a copy of CUB Exhibit 102 from UM 1355, which compares PGE's forecast of maintenance outages to its actual maintenance outages for the time period 2002 to 2008. This spreadsheet, which was provided to CUB by PGE in response to a data request in that docket, shows that, other than Coyote Springs, all other thermal plants have had more maintenance outage days forecast than were actually necessary during the 2002-2008 time period.

The following chart shows the total number of days of planned maintenance that were forecast versus the total number of days that the plants were closed for planned maintenance.[7]

Plant	Forecasted Planned Maintenance Outage days 2002-2008	Actual Planned Maintenance Outage Days 2002-2008	Difference
Boardman	236	216	20
Colstrip 3	119	108	11
Colstrip 4	147	108	39
Coyote Springs	91	95	(4)
Port Westward	32	20	12

From this chart we can see that customers have been charged for a total of 82 days of outages that did not actually happen from 4 plants and have not been charged for 4 days of outages from another plant.

[7] CUB Exhibit 104

PGE may argue that these numbers are distorted because of the large forced outage at Boardman in 2006. Boardman was offline due to a forced outage for much of 2006, allowing some planned maintenance to happen during the forced outage, avoiding scheduled planned maintenance. We do not dispute this notion, but we do note that while forced outages sometimes allow for maintenance which reduces the forecasted planned maintenance, forced outages are a cost that is added to rates. In addition, forced outages that are more extreme than what were forecasted can be eligible for cost recovery through deferrals and PCAMs. Customers should not be asked to pay for the cost of a forced outage and still be held responsible for the cost of the planned maintenance that was displaced by that outage.

i. Colstrip

The history of forecasted versus actual maintenance outages at Colstrip is troubling. Actual planned maintenance outages at Colstrip have a distinct pattern – there is a planned maintenance outage every three years.[8]

Year	Colstrip 3 Actual Planned Maintenance	Colstrip 4 Actual Planned Maintenance
2002	0	0
2003	0	56
2004	59	0
2005	0	0
2006	0	52
2007	49	0

[8] CUB Exhibit 104

2008	0	0

Each plant has a significant planned maintenance outage every three years and no planned maintenance outage in the other years. This demonstrates a 3-year maintenance cycle. PGE's forecasts of planned maintenance that have been used for ratemaking do not accurately reflect this three-year cycle.[9]

Year	**Colstrip 3 Forecasted Planned Maintenance**	**Colstrip 4 Forecasted Planned Maintenance**
2002	18	30
2003	0	58
2004	44	0
2005	7	7
2006	9	52
2007	44	0
2008	0	0

First, looking at the Forecasted Planned Maintenance chart, it is difficult to tell that the Colstrip plants are on a three-year maintenance cycle. Rather than showing maintenance planned in just one-third of the years for each plant, it shows maintenance in two-thirds of the years.

In 2002, there were, between the two plants, 48 days of maintenance planned that did not occur. In 2005, when both plants should have been between maintenance cycles, PGE projected 7 maintenance days for each plant. [redacted]

[9] CUB Exhibit 104

[redacted]

In total, the Colstrip units represent 50 of the 82 days that customers have been overcharged for outages. Because Colstrip's operating costs are about [redacted] the operating cost of Boardman and about [redacted] of the operating cost of Coyote Springs, Colstrip is where the Company stands to gain the most from over-projecting planned maintenance.

C. CUB Recommends Using Historic Information for Maintenance Outages

In Docket UM 1355, CUB recommended that the Commission use a 4-year rolling average for planned maintenance. In this docket, we slightly modify our recommendation. Here, we recommend that a 4-year rolling average be used as the default unless the record shows that a different time period should be used. Because the record shows that both Colstrip units utilize a three-year maintenance schedule, CUB believes that a three-year rolling average or six-year rolling average makes more sense for Colstrip.

Using a 3 or 6 year average for Colstrip would mean that each year rates would include 1/3 the cost of the maintenance outage that occurs every three years. Using a four-year rolling average would mean customers would be charged ¼ or ½ the cost of the maintenance outage each year depending on whether the preceding four years included one or two maintenance outages. With two Colstrip units on different cycles for maintenance, a three or six year average would mean that customers would pay 2/3 of a maintenance outage each year. In 2/3 of the years, the company would have a single maintenance outage and in the third year, it would have none. Some years, customers

would pay a little less than the actual cost of the outage and some years they would pay more than the cost of the outage, but over time rates would reflect actual outages.

i. Using historical data will stop customers from being overcharged.

We use a four-year rolling average for forced outage rates, and believe that a similar method for planned maintenance makes a great deal of sense. Over time, customer rates will reflect actual maintenance practices. Under PGE's current method, rates reflect planning assumptions, not actual practices.

Maintenance on a power plant is, in many respects, like maintenance on a car. When you take your car to a mechanic, it is not always known how long it will take to repair it. Sometimes the mechanic has to remove a part and examine it before they know whether it needs to be replaced. Sometimes parts need to be ordered and shipped to the repair shop. In these cases, the mechanic may tell you that your car will take 1 or 2 days to repair. Under those circumstances, a prudent driver will plan to not have their car for two days and will make other travel arrangements.

In the same manner, if a plant manager tells PGE management that planned maintenance will take between 25 and 30 days next year, PGE is prudent to plan and budget for a 30 day outage. However, for ratemaking purposes, it might be better to assume a 27 or 28 day outage because if we always assume the more-conservative outer edge of the potential forecast, then we will systematically overestimate the length of outages.

ii. CUB's proposal

The chart below shows CUB's recommendation for the Planned Maintenance Outages for PGE's thermal plants in 2010. For the two Colstrip units, CUB used a six

year average, even though CUB would have come to a lower number with a three-year average. This allows for a total of 4 actual maintenance outages included in the averages for the two plants combined, which should produce more steady results going forward. For Boardman, CUB used a four year average, but removed 2006 because of the extended Forced Outage that year. Because a deferral has been issued that may allow the Company to charge customers for this outage, CUB believes that a good argument can be made for including 2006 with no planned maintenance. However, CUB believes that customers will benefit from moving to a historical basis for planned maintenance outages, regardless of how extended outages are treated. CUB proposes that the appropriateness of including years with significant extended outages be considered on a case-by-case basis. In this case, CUB is not proposing to include 2006 in the 4-year rolling average for Boardman, but reserves the right to make a different recommendation in future proceedings.

Plant	CUB's Recommended 2010 Planned Maintenance Outage (in days)	PGE's 2010 Forecast and Placeholders
Boardman	39	[redacted]
Colstrip 3	17	[redacted]
Colstrip 4	18	[redacted]
Coyote Springs	13	[redacted]
Port Westward	10	[redacted]

While this chart compares CUB's recommendations to PGE's April filing, CUB points out that PGE intends to update its forecast in September, so CUB does not really know how its proposal compares to what PGE really intends to include in rates.

III. Conclusion

The Cost of Planned Maintenance Outages is a significant one. Currently PGE determines the planned maintenance forecast after CUB, Staff, and other intervenors have completed their testimony and briefs, allowing no review of the costs that are being used to set rates. CUB believes that the best solution to this problem is to base the Planned Maintenance Outage on historical evidence.

CUB understands that PGE will likely argue that CUB's proposed methodology will be less accurate. In any particular year, that may indeed be true. For Colstrip, CUB would expect that PGE would under-recover its costs in years with planned maintenance and would over-recover its costs in years without planned maintenance. CUB believes that the results, when averaged over time, will more accurately reflect actual maintenance practices and will therefore enhance the Commission's ability to set just and reasonable rates.

WITNESS QUALIFICATION STATEMENT

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EDUCATION: Bachelor of Science, Economics
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EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, and UM 1209. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
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EXPERIENCE: I have previously provided testimony in OPUC Docket No.s UM 1355, UE 196 and UE 204. Between 2004 and 2008, I worked for the US Environmental Protection Agency and the City of Portland Bureau of Environmental Services, conducting economic and environmental analyses on a number of projects. In January 2009 I joined the Citizens' Utility Board of Oregon as a Utility Analyst and began conducting research and analysis on behalf of CU

CUB Exhibit 102 is confidential and subject to PUC Protective Order Number 09-114.

CUB Exhibit 103 is confidential and subject to PUC Protective Order Number 09-114.

UM 1355 Investigation into Forced Outage Rate
PGE Thermal Plants
Forecasted and Actual Planned Maintenance Outages

			Duration is in Number of Days									
			Boardman		Colstrip Unit 3		Colstrip Unit 4		Coyote Springs - All States		Port Westward	
	Forecasted*	Actual	Forecasted	Actual	Forecasted	Actual	Forecasted	Actual	Forecasted	Actual	Forecasted	Actual
UE 192	2008 AUT	2008	30	30	0	0	0	0	9	8	16	8
UE 180	GRC, 2007 Test Year	2007	30	26	44	49	0	0	20	17	16	12
UE 172	2006 RVM	2006	29	0	9	0	52	52	16	11	na	na
UE 161	2005 RVM	2005	32	29	7	0	7	0	9	15	na	na
UE 149	2004 RVM	2004	69	72	44	59	0	0	0	4	na	na
UE 139	2003 RVM	2003	30	29	0	0	58	56	28	35	na	na
UE 115	GRC, 2002 Test Year	2002	16	30	15	0	30	0	9	5	na	na

* Forecasted data are from Monet PC Input Sheets related to each UE Docket Number and/or final Assumptions/Summary Report.

Comment: The Boardman actual value of zero in 2006 is the year the major forced outage extended into June, so there was no actual scheduled outage this year.

UE 208 – CERTIFICATE OF SERVICE

I hereby certify that, on this 8th day of July, 2009, I served the foregoing **REPLY TESTIMONY OF THE CITIZENS' UTILITY BOARD OF OREGON** in docket UE 208 upon each party listed in the UE 208 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 the original and 5 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)

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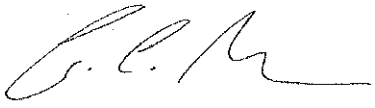

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