



Oregon

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July 8, 2009

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
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**RE: Docket No. UE 208 – In the Matter of PORTLAND GENERAL ELECTRIC
COMPANY 2010 Annual Power Cost Update Tariff (Schedule 125)**

Enclosed for electronic filing in the above-captioned docket is the Public Utility
Commission Staff's Reply Testimony.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UE 208 (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UE 208

STAFF REPLY TESTIMONY

ED DURRENBERGER

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

July 8, 2009

CASE: UE 208
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Reply Testimony

July 8, 2009

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Ed Durrenberger. I am employed as a Senior Analyst in the
4 Electric and Natural Gas Division of the Public Utility Commission of Oregon.
5 My business address is 550 Capitol Street NE Suite 215, Salem, Oregon
6 97301-2551.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
8 **EXPERIENCE.**

9 A. My Witness Qualification Statement is found in Exhibit Staff/101.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. This testimony addresses issues with the Portland General Electric (PGE or
12 company) Annual Power Cost Update Tariff for 2010 filed as docket UE 208.

13 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

14 A. No.

15 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

A. I will first make some general comments about the filing and then I will discuss
a few specific areas that require further development by the company in its
next power cost update in this docket.

16 **Q. PLEASE PROVIDE AN OVERVIEW OF PGE'S 2010 ANNUAL POWER**
17 **COST UPDATE TARIFF FILING.**

18 A. On April 1, 2009, PGE filed an annual revision to its net variable power costs
19 (NVPC) under Schedule 125. Schedule 125 establishes an Annual Power
20 Cost Update Tariff (AUT) pursuant to Order 07-015. The filing included

1 testimony and work papers supporting an initial company request for NVPC of
2 \$830.7 million for 2010.

3 **Q. HOW DOES THIS COMPARE TO THE NET VARIABLE POWER COSTS**
4 **FILED LAST YEAR AND CURRENTLY IN RATES?**

5 A. The filed NVPC for 2010 are lower than the power costs currently in rates
6 (Order No. 08-505). The final NVPC for 2009 was \$848.4 million, \$17.7 million
7 higher than proposed for 2010.

8 **Q. PLEASE EXPLAIN WHY THE 2010 POWER COSTS ARE LOWER**
9 **OVERALL THAN THE 2009 POWER COSTS.**

10 A. The most notable reason the net variable power costs are lower than in 2009 is
11 because the forward prices for purchased power and natural gas are lower
12 than they were when power costs were determined last year. In addition, this
13 filing includes, for the first time, the Biglow Canyon 2 wind plant, which has low
14 variable costs and no fuel costs.

15 **Q. ARE THERE OTHER FACTORS CONTRIBUTING TO THE LOWER 2010**
16 **POWER COST FORECAST?**

17 A. Yes. PGE witnesses Niman and Tinker provide a useful table that shows the
18 cost differences between the current (2010) filing and the last (See PGE / 100
19 Niman – Tinker / 14). Their accompanying explanatory testimony includes
20 descriptions of why some of the other main cost drivers are increasing and
21 some decreasing. By and large, forward energy market prices and the
22 expansion of wind generation dwarf any of the other variable power cost
23 changes.

1 **Q. DO YOU HAVE ANY OTHER GENERAL COMMENTS ABOUT THE 2010**
2 **ANNUAL POWER COST UPDATE?**

3 A. Yes. As a result of the settlement agreement approved in UE 198, last year's
4 AUT, the company provided an extensive amount of supporting documentation
5 with the initial AUT filing. This documentation is called the Minimum Filing
6 Requirement (MFR); it was filed for the first time with this year's AUT. The
7 MFR was not only extremely helpful in Staff's initial analysis of the AUT but
8 also reduced dramatically the amount of discovery that would have routinely
9 been required to begin the evaluation of the changes proposed in the filing. I
10 found the MFR documents to be very useful and commend PGE for their
11 efforts to provide this information in a complete and timely way.

12 **Q. DO YOU HAVE ANY SPECIFIC ISSUES TO DISCUSS?**

13 A. Yes. The first issue is load growth. Although PGE has forecast nearly no
14 growth for the 2010 power cost year, I have heard that one large industrial
15 customer plans to significantly curtail operations and, as the recession
16 continues I think there is a legitimate concern that loads could actually be
17 smaller than modeled in 2009. It is important to get the load growth figure
18 right. Absent excess generation capacity, larger loads cause higher power
19 costs because the incremental power requirements are purchased in the
20 wholesale market. In the normal course of this docket, the company will
21 update its power cost model a couple more times and with it the expected 2010
22 load. I am not ready to propose an adjustment to the load growth but I do not
23 expect to see load increasing in the update filings.

1 **Q. DO YOU HAVE ANY OTHER ISSUES?**

2 A. Yes. PGE included in its 2010 AUT expenses an item called the WECC
3 Standard Bal-002-WECC-1, which is a nearly \$2 million expense to cover
4 expected changes to operating reserve calculations. This item was described
5 as being an imminent change to the reserve calculation in last year's AUT filing
6 although the expense was not known at the time. PGE includes this expense
7 as a power cost expense in the 2010 AUT filing, yet the change has still not
8 been recognized and implemented by FERC, the governing body with authority
9 to require the change. I propose PGE remove this expense from the
10 calculation of net variable power costs until such time as the new reserve
11 requirements are recognized by FERC and implemented by the company.

12 **Q. DO YOU HAVE ANY OTHER ISSUES?**

13 A. I do have two more items to bring up regarding the initial April AUT filing.
14 My first concern is that the Pelton Dam selective water withdrawal (SWW)
15 construction has been delayed due to an installation mishap occurring this
16 spring. So far there has not been any effect on the 2010 NVPC, but the
17 revised schedule may impact the Pelton Round Butte complex's operation and
18 could negatively affect power costs. The extent of, and responsibility for, any
19 excess power costs due to the SWW construction delays may become an
20 issue once the impact of the schedule change is known, however, customers
21 should not be responsible for higher power costs due to errors in design and/
22 or construction on the part of the company or its contractors.

1 My second concern involves coal costs. The company has indicated in its filing
2 that it anticipates more generation from its coal fired power plants in 2010 than
3 in 2009. The NVPC benefits of this increased output include more low cost
4 power and less outage replacement power costs. The company states that the
5 reason is that the plants have planned shorter outages in 2010 than in 2009
6 and will be running more. Despite this favorable modeling outcome, I have a
7 concern that the company has overstated the outage length at Colstrip. The
8 MFR data indicates another extended 7 week outage for 2010 for Colstrip. The
9 length of this outage is similar to what was needed for the Colstrip outage
10 planned for 2009, during which the company indicated it would be installing low
11 NOX burners on Unit 4. The proposed installation of the low NOX burners
12 increased the 2009 outage from 30 days to over 50 days and resulted in an
13 additional \$3.5 million in NVPC. This year the MFR indicates only a planned
14 routine outage to Unit 3 and chemical cleaning. That does not add up to the 51
15 days modeled. I propose that the extended maintenance outage for Colstrip 3
16 be adjusted out of the model and replaced with the standard 30 day outage
17 and that NVPC be adjusted accordingly.

18 **Q. IS THERE ANY OTHER ISSUE THAT YOU WISH TO RAISE AT THIS**
19 **TIME?**

20 A. No.

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 A. Yes.

CASE: UE 208
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

July 8, 2009

WITNESS QUALIFICATION STATEMENT

NAME: Ed Durrenberger

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst

ADDRESS: 550 Capitol St. NE, Ste. 215, Salem, Oregon 97301

EDUCATION: B.S. Mechanical Engineering
Oregon State University, Corvallis, Oregon

EXPERIENCE: I have been employed at the Public Utility Commission of Oregon since February of 2004. My current responsibilities include staff research, analysis and technical support on a wide range of electric and natural gas cost recovery issues including net variable power costs and PURPA Qualifying Facility pricing and interconnection.

OTHER EXPERIENCE: I have over twenty years of engineering, operations and maintenance experience with industrial boiler plants and associated equipment and utilities. I also have project management experience both in industrial chemical and manufacturing environment and in the high tech manufacturing environment.

CERTIFICATE OF SERVICE

UE 208

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 8th day of July, 2009.



Kay Balthus
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

UE 208
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