



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
(503) 464-2723 • Facsimile (503) 464-2222

James F. Lobdell
Vice President
Power Operations and Resource Strategy

January 14, 2010

Via e-mail and US Mail

Lee Beyer, Chairman
Ray Baum, Commissioner
John Savage, Commissioner
Public Utility Commission of Oregon
550 Capitol St NE #215
PO Box 2148
Salem OR 97308-2148

RE: Role of Boardman Power Plant in PGE IRP

Dear Commissioners:

Portland General Electric submitted its most recent Integrated Resource Plan (IRP) to the Commission on November 5, 2009. Our recommended portfolio within that resource plan calls for installation of extensive emissions control retrofits on the Boardman Power Plant. These controls would allow its continued service to customers through 2040, with reductions in regulated emissions as required by new rules from the Environmental Quality Commission (EQC).

I am writing to inform you that PGE has decided to pursue an alternative operating plan for the Boardman Plant. Our intent is to reach out to customer groups, environmental regulators, and other stakeholders to develop and seek acknowledgement of a plan under which the plant will either cease operations in 2020 or discontinue the use of pulverized coal as a fuel source.

It is important for the Commission to understand our reasons for seeking an alternative plan for Boardman: We are doing this because we are committed to seeking the best plan to provide reliable, responsibly generated and reasonably priced electricity for our customers.

Development of this alternative plan is not a simple matter. We expect to spend approximately two months completing our analysis and engaging stakeholders to gain support for a transition plan. We need to assure that the resulting proposal is achievable and preferable to the options available under current state and federal rules. Once that process is complete we will work with Commission staff and the parties to this proceeding to determine the most appropriate mechanism for us to introduce the alternative plan to the Commission for your consideration and acknowledgement as part of our IRP.

We are notifying you of our intent at this time because we believe strongly that the additional time needed to evaluate the role of Boardman in our resource portfolio should not delay

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Commission evaluation of the other components of our IRP. This evaluation is critical if we are to make the necessary resource decisions to ensure a reliable, reasonably priced power supply for our customers.

More than a year ago we proposed alternative timelines for operation of the Boardman plant to the Department of Environmental Quality (DEQ), including closure in 2020. Although the EQC did not incorporate those timelines into its Regional Haze Rules, further analysis conducted in support of our IRP indicates that an alternative plan could be the best path forward for this resource.

- Preliminary data suggests that a 2020 closure could be accomplished at a favorable cost and reduced risk to customers.
- Numerous stakeholders have expressed support for closure on a 2020 timeline and have urged PGE to consider alternative resources.
- We have met with DEQ staff and they have confirmed that, under the Regional Haze Plan, they are willing to allow PGE to request a rule change if a decision is made in the future to close the plant.
- Closure of the coal plant in 2020 or use of an alternative fuel would provide a major carbon reduction benefit in anticipation of as-yet-undecided greenhouse gas emissions limits.
- PGE would have time to plan for and implement a reliable resource replacement strategy if the plant is closed.

At the same time, significant obstacles must be overcome to allow PGE to move forward with an alternative plan for Boardman. We need to obtain stakeholder support in the face of conflicting priorities, stringent requirements under the Regional Haze Rules, possible regulation of other emissions under National Emission Standards for Hazardous Air Pollutants (NESHAPs) requirements, and legal challenges over past and current operating standards for the plant.

Presuming we are able to work with stakeholders to develop an alternative plan with an appropriate schedule and process and obtain approval from the EQC, we also will need to work with the Commission on acknowledgement of this plan and a new depreciation schedule for recovery of the remaining investment in Boardman. While an alternative plan is our preferred option, if we are not able to reach agreement we will continue to seek approval for installation of emissions controls and continued operation of the plant – the best option available to our customers under the current rules.

PGE does not believe closure in 2011, 2014 or 2017 – the other options available under current DEQ rules – are practical or in the best interest of our customers. Closure in 2011 or 2014 would

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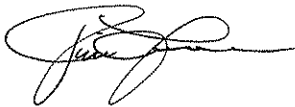
challenge the reliability of our supply portfolio because of the uncertainty, difficulty, and high cost of building or obtaining replacement power resources in such a short period. It would also

have unacceptable rate impacts due to the loss of one of our lowest-cost resources and extremely accelerated depreciation of the plant. Closure in 2017 after the required installation of significant new controls in 2014 presents an even more unfavorable economic case with unacceptable rate impacts.

As you know, we are scheduled to provide an overview of our IRP at the Commission's January 19 meeting. Because of our decision to seek an alternative plan for Boardman, we expect to devote most or all of our presentation to consideration of other elements of our IRP. Given that the assessment of Boardman operations included in our plan may be superseded by new developments in the coming months, we recommend deferring detailed discussion of Boardman until we are able to conduct further study and engage stakeholders regarding an alternate proposal.

We commit to setting a meeting in March to update the Commission on our progress on an alternative plan, and request that comments on the Boardman component of our IRP be deferred only until after that meeting and a new schedule for the decision on Boardman emissions controls is established.

Sincerely,



James F. Lobdell
Vice President
Power Operations & Resource Strategy
Portland General Electric
121 SW Salmon Street
Portland, OR 97204