



# Oregon

Kate Brown, Governor

## Public Utility Commission

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August 5, 2015

### ***Via Electronic Filing***

OREGON PUBLIC UTILITY COMMISSION

ATTENTION: FILING CENTER

PO BOX 1088

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**RE: Docket No. UE 294 – In the Matter of  
PORTLAND GENERAL ELECTRIC COMPANY,  
Request for a General Rate Revision. (Power Cost)**

Enclosed for filing is PUC Staff's Supplemental Testimony, Exhibit 1900 (Power Cost portion of UE 294), together with Certificate of Service and Service List.

Exhibit 1900 is confidential and is being mailed separately to parties who have signed Protective Order No. 15-036.

Exhibit numbers 1000-1800 were assigned to staff for "Testimony in Support of Partial Stipulation". Exhibits 1000-1800 will be filed at a later date.

/s/ Kay Barnes

Filing on Behalf of Public Utility Commission Staff

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Email: Kay.Barnes@state.or.us

CASE: UE 294  
WITNESS: JOHN CRIDER

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 1900**

**SUPPLEMENTAL TESTIMONY  
(POWER COST)**

**REDACTED  
August 5, 2015**

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is John Crider. I am a Senior Utility Analyst with the Public Utility  
3 Commission of Oregon. My business address is 201 High Street SE, Suite 100,  
4 Salem, Oregon 97301-3612.

5 **Q. Please describe your educational background and work experience.**

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

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to discuss PGE's revised outage schedule for  
9 the Port Westward 1 generation unit. The schedule revision includes a newly  
10 extended planned outage in the test year (2016) which is a direct result of  
11 damage discovered during a planned maintenance outage in June 2015.

12 **Q. Did you prepare an exhibit for this docket?**

13 A. No.

1 Issue - Port Westward Spring Outage

2 **Q. Please describe the company's request.**

3 A. The Company has submitted an updated maintenance outage schedule [REDACTED]  
4 [REDACTED] that extends the planned spring outage for the test year from  
5 [REDACTED]. The Company requests to include the updated  
6 maintenance outage schedule in the 2016 Annual Update Tariff (AUT) for  
7 power cost.

8 **Q. What is the effect of this change on net variable power cost computed  
9 in the AUT?**

10 A. According to the Company's estimation, net variable power cost for the test  
11 year would [REDACTED], primarily due to the cost of  
12 replacement power.<sup>1</sup>

13 **Q. Why is the additional outage time necessary?**

14 A. [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]

20 **Q. Did PGE consider other options to an extended spring outage?**

21 A. Yes. According to the Company, five options were considered. The Company  
22 refers to these options as:

<sup>1</sup> UE 294, PGE/1604C, Niman-Peschka-Hager-Dwyer/6.

Name	Short Descriptor	Description	Cost (millions)
Option 1	[REDACTED]	[REDACTED]	[REDACTED]
Option 2	[REDACTED]	[REDACTED]	[REDACTED]
Option 3	[REDACTED]	[REDACTED]	[REDACTED]
Option 4	[REDACTED]	[REDACTED]	[REDACTED]
Option 4'	[REDACTED]	[REDACTED]	[REDACTED]

1

2

**Q. Did the company perform a benefits-cost analysis of these options?**

3

A. Yes. The Company estimated both the capital costs and replacement power costs for each option; these costs are also listed in the table above.

4

5

**Q. Which option did the company decide upon?**

6

A. The Company chose Option 4.

7

**Q. Is this the least cost option?**

8

A. No, the least cost option is Option 1. Option 4 has a slightly higher cost (about six percent higher than Option 1).

9

10

**Q. Why did PGE choose Option 4 instead of Option 1?**

11

A. According to the Company, choosing Option 1 would incur more reliability risk since the outage needed for the repair would fall during parts of the year when

12

1 load is highest and the need for generation [REDACTED] is higher than  
2 in the spring, when planned maintenance outages are usually scheduled.

3 **Q. Does Staff concur with the Company's reasoning for choosing Option**  
4 **4 over Option 1?**

5 A. Yes. Staff agrees that an extended spring outage carries with it less reliability  
6 risk than an outage during the peak summer or winter seasons when the unit is  
7 typically operating at a high capacity factor and is an integral part of PGE's  
8 generation fleet. Arguably, Staff believes that the reliability risk could result in  
9 much higher costs even though such costs are difficult to quantify. For those  
10 reasons, Staff agrees with PGE's choice of Option 4 as a low-cost, low-risk  
11 response to the needed repair.

12 **Q. Does Staff support PGE's request to modify the 2016 AUT maintenance**  
13 **schedule to reflect the repair maintenance outage?**

14 A. No. Inclusion of the repair outage in the AUT implies that any costs associated  
15 with replacement power and changes in system dispatch due to the [REDACTED]  
16 [REDACTED] will be included in rates and paid for by customers. However, in this  
17 case, Staff does not feel such recovery is just and reasonable. Staff believes  
18 the Company is responsible for assuming these costs.

19 **Q. Why does Staff maintain that the costs associated with replacement**  
20 **power and system dispatch effects should be borne by the Company?**

21 A. [REDACTED]  
22 [REDACTED]

<sup>2</sup> UE 294, PGE/1600, Niman-Peschka-Hager-Dwyer/3.

1

[REDACTED]

2

[REDACTED]

3

**Q. Please describe the damage** [REDACTED]

4

A. According to the Company's supplied root cause analysis [REDACTED]

5

[REDACTED]

6

[REDACTED]

7

[REDACTED]

8

[REDACTED]

9

[REDACTED]

10

[REDACTED]

11

[REDACTED]

12

[REDACTED]

13

[REDACTED]

14

[REDACTED]

15

[REDACTED]

16

**Q. Was the damage** [REDACTED] **due to misoperation on the part of the**

17

**Company?**

18

A. From the documents and analysis provided by PGE<sup>4</sup>, it appears that [REDACTED]

19

[REDACTED]

20

[REDACTED]

<sup>3</sup> UE 294, PGE/1603C, Niman-Peschka-Hager-Dwyer.

<sup>4</sup> Ibid.

1

[REDACTED]

2

[REDACTED]

3

**Q. Was the [REDACTED] caused by the same design**

4

**issues?**

5

**A. It is not clear from the root cause analysis**

6

[REDACTED]

7

[REDACTED]

8

**Q. Were standard operating procedures followed**

9

[REDACTED]

10

[REDACTED]

11

[REDACTED]

12

[REDACTED]

13

[REDACTED]

14

[REDACTED]

15

[REDACTED]

16

[REDACTED]

17

**Q. Did the contractor's**

18

[REDACTED]

19

[REDACTED]

20

[REDACTED]

21

[REDACTED]

<sup>5</sup> UE 294, PGE/1603C, Niman-Peschka-Hager-Dwyer/2

<sup>6</sup> UE 294, PGE/1607C, Niman-Peschka-Hager-Dwyer/5

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.



1 **Q. What conclusions does Staff draw from how the repair work was**  
2 **conducted?**

3 A. Based on the facts that a) the contractor failed to obtain required written  
4 instructions; b) proper management authorization was neither solicited nor  
5 received as required by standard procedure; and c) [REDACTED]

6 [REDACTED]  
7 Staff concludes that the contractor responsible for performing the repair work  
8 acted imprudently in carrying out its duties. Given the fundamental importance  
9 of [REDACTED]

10 [REDACTED] a high standard of care should be followed when undertaking and  
11 performing [REDACTED]

12 **Q. Should PGE be held responsible for imprudence on the part of a**  
13 **contractor?**

14 A. The Commission has stated that it believes so. In Order 10-051 (PUC Docket  
15 No. UE 196) the Commission states:

16 *We emphasize that we are not concluding that a utility may*  
17 *insulate itself from responsibility by hiring an outside expert to*  
18 *perform installation, maintenance, or repair work. If there was*  
19 *evidence that Siemens acted imprudently, then PGE would*  
20 *be held responsible for Siemens's imprudent conduct.*<sup>9</sup>

21 **Q. Has the Commission previously imputed maintenance repair costs to**  
22 **the Company?**

23 A. Yes. In Docket No. UE 88 PGE's investment in Trojan generating plant was  
24 discussed. In this case, degradation of the steam generation equipment forced

<sup>9</sup> Oregon PUC Order No. 10-051 at page 11. In Docket UE 196, Siemens is a contractor hired by PGE to perform installation and maintenance services.

1 an early retirement of the plant. Although the Commission did not find PGE  
2 directly at fault for the degradation, they still held the Company responsible for  
3 the faulty manufacturing of its contractor, and so disallowed any recovery in  
4 rates related to the equipment failure. The Commission stated:

5 *“Although PGE's behavior was not faulty, PGE and the*  
6 *ratepayers are the only two parties to whom we can assign or*  
7 *impute steam generator costs. As between those two parties,*  
8 *PGE is better situated to recover its costs from the*  
9 *manufacturer of the steam generators. Moreover, it is fair that*  
10 *shareholders bear some of the consequences of*  
11 *management investment decisions.”*

12  
13 **Q. Does Staff believe there is evidence supporting the imprudence of the**  
14 **repair?**

15 A. Yes. The facts that: a)both PGE<sup>10</sup> and its contractor Mitsubishi<sup>11</sup> affirm the fact

16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]

20 **Q. Does Staff believe PGE should be held ultimately responsible for the**  
21 **imprudence of its contractor?**

22 A. Yes. Based on the principle of responsibility in Order No. 10-051 and the  
23 precedent for cost imputation set in UE 88, Staff believes it is the  
24 Commission's intent that PGE should be held responsible for the imprudent  
25 actions of its contractor, just as if the Company itself had acted imprudently in

<sup>10</sup> UE 294/PGE/1600, Niman-Peschka-Hager-Dwyer/3.

<sup>11</sup> UE 294/PGE/1607C, Niman-Peschka-Hager-Dwyer/5.

<sup>12</sup> Ibid.

1 attempting these repairs. Therefore, PGE should be allowed no recovery from  
2 customers for costs incurred as a result of this imprudent repair.

3 **Q. What is Staff's recommendation in this matter?**

4 A. Staff recommends that the Commission find that: a) PGE acted prudently in its  
5 choice of repair options; b) PGE's contractor acted imprudently in failing to  
6 properly follow procedures requiring written management authorization prior to  
7 commencing repair; c) PGE's contractor acted imprudently through improper  
8 [REDACTED] leading to further damage; d) the requested change  
9 in the planned maintenance schedule for Port Westward 1 be denied; and d)  
10 no further cost recovery be allowed from customers for costs directly incurred  
11 by the repair [REDACTED] damaged in  
12 this incident.

13 **Q. Does this conclude your testimony?**

14 A. Yes.

CERTIFICATE OF SERVICE

UE 294

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 860-001-0180, to the following parties or attorneys of parties.

Dated this 5th day of August, 2015 at Salem, Oregon



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