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May 13, 2011

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem OR 97308-2148

**Re: UM 1396 – INVESTIGATION INTO DETERMINATION OF RESOURCE
SUFFICIENCY PURSUANT TO ORDER NO. 06-538**

Attention Filing Center:

Enclosed for filing in UM 1396 are an original and five copies of:

Phase II - Opening Comments of Portland General Electric Company

This document is being filed by electronic mail with the Filing Center. An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided. This document is being served electronically upon the UM 1396 service list.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Richard George", written in a cursive style.

J. Richard George
Assistant General Counsel

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1396

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION OF)	PHASE II
OREGON)	OPENING COMMENTS OF
)	PORTLAND GENERAL
Investigation into Determination of Resources)	ELECTRIC COMPANY
Sufficiency, Pursuant to Order No. 06-538)	
_____)	

Introduction

PGE offers the following comments regarding the elements of the Substantive and Procedural Issues lists contained in Appendix A of Commission Order No. 10-488 in UM 1396.

Phase II of this docket introduces the general idea of a stream of avoided costs based on an avoidable renewable resource. PGE supports this concept.

PGE notes that parties, including PGE, responded to the Decision Outline and Revised Decision Outline circulated by Judge Power on September 29, 2009 and January 6, 2010, respectively. Both outlines introduced many of the ideas addressed in the Substantive Issues list that is the subject of these comments. While we do not intend to simply repeat our prior comments, they provide the context for the comments below.

The calculations for avoided costs can be complex. In the comments below, PGE attempts to keep the calculation of a renewable avoided cost stream fairly simple and transparent. PGE offers comments on both the Substantive Issues and Procedural Issues lists.

I. Substantive Issues

A. Should the Commission require that each utility determine its avoided cost for a renewable resource? If so, how should the Commission decide what renewable resource would be avoided and at what cost?

PGE supports the use of an avoided costs stream based on the renewable resources necessary for the utility to satisfy applicable renewable portfolio standards (RPS). PGE suggests the use of the levelized value of the capital and operations & maintenance costs of a proxy wind resource during the deficiency period, similar to the current calculation using a proxy CCCT resource.

During the resource sufficiency period the avoided costs should be based on power market forward curves (current practice) plus an adder for the estimated value of the renewable energy certificates (REC). PGE recognizes that identifying the REC value is a difficult task and suggests that parties meet to determine if an appropriate basis for the estimated value of RECs during the sufficiency period can be established.

For the length of the contract, the utility should receive the bundled energy and all RECs from the QF.

1. Should the IRP Action Plan be used to identify when a renewable resource acquisition would be avoided, or should a utility purchase of unbundled renewable energy credits signal the start of a renewable resource deficiency period?

The IRP Action Plan forms the basis for renewable resource acquisitions. The IRP is a fully vetted public process in which stakeholders may participate. The Commission acknowledges the Action Plan. PGE continues to support the use of the Action Plan to identify resource acquisitions whether renewable or non-renewable.

PGE does not support the use of unbundled RECs to signal the start of a renewable resource deficiency period. PGE is required to meet Oregon's RPS on an

ongoing annual basis. A purchase of unbundled RECs in one year does not necessarily provide the RECs a utility may need to satisfy the Oregon RPS in a sustainable fashion.

In addition, the use of unbundled RECs, including those previously banked, is capped at 20% for a given compliance year per ORS 469A.145.

PGE currently has an accumulation of banked RECs. According to Figure 6-3 on Page 116 of PGE's acknowledged 2009 IRP, included as Attachment A, PGE forecasts sufficient RECs, using both those banked RECs and forecast RECs from generation resources to meet RPS requirements through 2019. Current plans include the addition of 122 MWA of renewable generation by 2015. Including this additional renewable resource, PGE forecasts sufficient RECs through 2024. As a result, the year of REC acquisition is not a reasonable delineation for the start of a resource deficiency period.

2. Should out-of-state renewable portfolio standards be taken into account when determining when a renewable resource can be avoided by a purchase from an Oregon QF?

PGE has no service territory outside of Oregon, therefore other states' RPS do not apply to PGE.

3. Should the renewable avoided cost be based on the estimated cost of the renewable resources identified in the IRP Action Plan, or should the Commission use a "proxy" resource approach similar to the current approach used by PGE and PacifiCorp for standard avoided costs?

PGE supports the current method for establishing the avoided cost to the utility during the deficiency period using a proxy resource. The use of a proxy resource includes currently known costs. The attempt to establish costs using the specific resources listed in the IRP faces numerous difficulties. The cost of a resource identified in the IRP Action Plan is an estimate. There may be multiple projects in the IRP Action

Plan, some of which materialize, while others never materialize. Also, materials and other costs shift as each project moves along. In addition, some new resources may include shared facilities, while others are greenfield facilities. The use of a proxy resource eliminates many of these difficulties.

The most prevalent renewable resource in recent years is large wind. PGE supports the use of large wind as the proxy resource using the levelized value of the capital and operations & maintenance costs associated with the proxy wind resource. The calculation provides a volumetric energy price which increases at inflation annually.

4. When should the renewable avoided cost stream reflect an avoided purchase of an unbundled renewable energy certificate?

A renewable avoided cost stream that reflects an avoided purchase of unbundled renewable energy certificates should only be used during the resource sufficiency period. The use of a proxy renewable resource as the basis for avoided cost beyond that period makes an alternate avoided cost basis unnecessary. As pointed out in the discussion above regarding the purchase of unbundled RECs relating to the start of the deficiency date, the purchase of unbundled RECs does not create a sustainable means of complying with Oregon's RPS and may only satisfy up to 20% for the compliance year.

B. Should the Commission require that a renewable QF be able to choose among two avoided cost streams – the renewable avoided cost stream, and the non renewable avoided cost stream?

If generation from the QF is considered renewable under an applicable RPS and the utility needs renewable energy to meet the applicable RPS, then the QF may choose to receive the utility's renewable avoided cost stream. The QF should provide the

bundled energy and RECs to the utility. Any QF may choose the non-renewable avoided cost stream.

C. When is a planned resource acquisition avoidable?

Commission Order No. 10-488 specifies that the IRP process is the appropriate venue to address the resource sufficiency/deficiency timing issue. This long-range planning tool identifies the timing of planned resource acquisitions based on resource needs relative to forecast loads. A planned resource acquisition is avoidable based on the on-line date for the next relevant major resource acquisition identified in the Action Plan. This is the date which the resource sufficiency/deficiency distinction occurs.

1. If no irreversible commitment has been made to the project, is the project avoidable?

In such case, the project may be avoidable, but the utility likely continues to require a resource and has planned for it through the IRP process. Planning for resource acquisitions is a long-term process. Major resources take multiple years from the initial planning stages to becoming an operational plant. The existence of multiple-year sufficiency periods reflects these realities. If long-term planning is not considered in the framework for avoided costs, then the forecast market value of energy is the appropriate price for avoided cost payments to QFs that choose the fixed price option.

2. What constitutes an irreversible commitment?

An irreversible commitment for a specific project is made when the Request for Proposal (RFP) process awards the project to the successful bidder. Upon approval, parties sign contracts to complete the scope of work. If the utility is the successful

bidder, project costs are recorded as capital. If a third party is the successful bidder, the utility and the third party sign a contract for the project. Therefore, the completion of the RFP process constitutes an irreversible commitment for a specific project.

II. Procedural Issues

A. Which of these issues should be the subject of evidentiary proceedings?

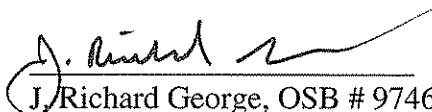
The issues in this docket are policy oriented, thus PGE doesn't consider the development of an evidentiary record as necessary. However, PGE does not object to evidentiary proceedings if other parties believe they are appropriate.

B. Should the evidentiary proceedings be generic, or conducted on a utility-by-utility basis?

Again, the issues in this docket are policy oriented. The evidentiary proceedings in the first phase of this docket were generic. If evidentiary proceedings are necessary, PGE supports the continued use of generic evidentiary proceeding

DATED this 13th day of MAY, 2011

Respectfully Submitted,


J. Richard George, OSB # 974691
Assistant General Counsel
Portland General Electric Company

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused Portland General Electric Company's Opening Comments in Phase II in docket UM 1396, to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service.

Dated at Portland, Oregon, this 13th day of May, 2011.



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