



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204

October 23, 2009

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:

Reply Comments of Portland General Electric Company Regarding the September 29, 2009
Proposed Decision Outline.

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 upon the UM 1396 and the UM 1129 service lists.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Richard George", with a stylized flourish at the end.

J. Richard George
Assistant General Counsel

JRG:smc
cc: Service List-UM 1396, UM 1129

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1396

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION OF)	REPLY COMMENTS OF
OREGON)	PORTLAND GENERAL
)	ELECTRIC COMPANY
)	REGARDING
Investigation into Determination of Resources)	SEPTEMBER 29, 2009
Sufficiency, Pursuant to Order No. 06-538)	PROPOSED DECISION
_____)	OUTLINE

1 PGE offers the following comments in reply to the October 15 comments made
2 by parties in UM 1396. Parties' comments focus on the "Decision Outline" circulated by
3 Judge Power.

4 We note that all parties who commented on the Decision Outline identified issues
5 pertaining to the resource sufficiency/deficiency and avoided cost calculation
6 methodology that warrant further investigation. For instance, while generally supporting
7 the Decision Outline procedures and methodologies, Staff states (regarding the process of
8 updating avoided cost based on an RFP), "Staff believes that parties will need to work
9 through a number of issues before this approach can be implemented." Staff Comments
10 at 2. Staff makes similar statements regarding other issues. In addition, Renewable
11 Energy Coalition suggests opening a separate docket and states, "REC is concerned that
12 limiting the reopening of UM 1396 to initial and reply comments will not provide for an
13 adequate opportunity to consider the complex nature and implementing details of these
14 matters." Comments of Renewable Energy Coalition at 5-6. In their comments,

1 PacifiCorp and Idaho Power state that, "...a full evidentiary record would be essential to
2 a full investigation of the proposal. Prior to developing a full evidentiary record on this
3 proposal, however, the parties would need more direction from the Commission on the
4 framework proposed by the Commission and more specificity on the proposals in the
5 Decision Outline." Initial Comments of PacifiCorp and Idaho Power at 2. PGE supports
6 the particular approach outlined by PacifiCorp and Idaho Power.

7 Staff comments support the Decision Outline's provision to allow renewable QFs
8 to choose among CCCT or renewable resource avoided cost streams. Staff Comments at
9 5. PGE is concerned that the concept of selectable avoided cost options is inconsistent
10 with the requirement that QFs receive avoided costs based on various factors including
11 availability and dispatchability. The principle of avoided costs means that the power
12 supplied by a QF allows the utility to avoid certain costs. A QF with specific power
13 supply characteristics should not be subject to or allowed to shop for avoided cost prices
14 that do not match its power supply commitments. The Commission must consider and
15 determine whether giving QFs this choice is a violation of PURPA. We also point out
16 that these avoided cost pricing options may significantly increase the complexity of the
17 avoided cost process.

18 Parties also need to be aware of the clear link between the start of the deficiency
19 period and the basis for avoided costs established during the deficiency period. Staff
20 appears to disregard this link; for example, "Staff also recommends that the Commission
21 limit the offering of RPS-eligible avoided cost rates to utilities that have not achieved the
22 RPS target for 2025." Staff Comments at 3. Establishing a limit is desirable. However,
23 if the start of the deficiency period is determined by a CCCT as a major resource

1 addition, then it does not make sense to use avoided cost pricing based on an RPS-
2 eligible resource. The utility may be in such a position that it does not need additional
3 RPS resources for some years to come. As PGE established in the previous comments,
4 there should be a direct relationship between the resource used to determine the start of
5 the deficiency period, and the avoided cost calculation in the deficiency period.

6 ICNU proposes a change to the Decision Outline such that “The resource
7 sufficiency prices for all QFs should be based on a weighted average of the resources the
8 utilities are actually planning to build or acquire during this time period.” Initial Comments
9 of ICNU at 9. This proposal appears to ignore the fact that QF prices are the avoided costs to
10 the utility. The market price of energy is the appropriate incremental cost to the utility during
11 the sufficiency period.

12 ICNU also suggests using the cost of the peaker resource in the case where the
13 peaking resource is the next major resource acquisition. The problem with this
14 suggestion is that QFs may not actually provide capacity. In most cases, the utility does
15 not have the ability to dispatch power from the QF, as PacifiCorp and Idaho Power
16 pointed out. Initial Comments of PacifiCorp and Idaho Power at 7. PGE agrees that the
17 record needs to be more fully developed on this issue.

18 ICNU suggests another problematic modification to the Decision Outline;
19 specifically, “ICNU supports the ability to update avoided costs with information available
20 from RFPs and market conditions if certain limitations are imposed upon the utilities ability
21 to unilaterally update their avoided costs. If the avoided costs are updated, utilities should
22 only be allowed to update their avoided costs at well established specific times. Non-utility
23 parties (including Staff), in contrast, should have the ability to request that avoided costs be
24 updated at different times in response to information obtained in an RFP or significant market

1 changes.” Initial Comments of ICNU at 14. There are two major problems with this
2 suggestion. First, the utility cannot unilaterally update avoided costs. It can file proposed
3 avoided costs, but the Commission approves them. Second, it is inequitable to suggest that
4 other parties can request that avoided costs be updated at any time, while utilities have no
5 ability to updated avoided costs, except at scheduled times. It is noteworthy that the utilities
6 do not have a history of filing revisions to avoided costs outside of the regularly scheduled
7 intervals.

8 Finally, both ICNU and Biomass One propose decreasing the threshold for the
9 definition of a major resource acquisition. However, as proposed in the Decision Outline,
10 the definition of a major resource acquisition would come from the competitive bidding
11 rules. PGE disagrees with ICNU and Biomass One on this issue and supports the
12 definition from the competitive bidding rules, which is better aligned with the Integrated
13 Resource Plan (IRP).

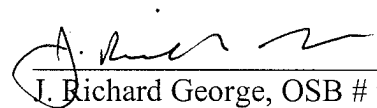
14 Throughout this process, PGE has supported the use of the IRP as the reference
15 point for the resource sufficiency and deficiency period determination. The IRP process
16 is subject to public vetting and extensive Commission review. The IRP should be the
17 basis to determine resource sufficiency and deficiency, regardless of the specific method
18 used.

19 PGE has the same observations and questions regarding the Decision Outline that
20 were established in our October 15th comments. The Decision Outline offers much more
21 complicated procedures than those established in UM 1129. It also reopens the
22 methodology for the calculation of avoided costs. There are additional issues to consider
23 with regard to the calculation of avoided cost. PGE would support holding a workshop to
24 clarify the goals and objectives of the Decision Outline and perhaps establish an issues

- 1 list. Subsequently, a prehearing conference with dates and activities would enable parties
- 2 to vet the issues proposed in the Decision Outline.

DATED this 23rd day of OCTOBER, 2009

Respectfully Submitted,

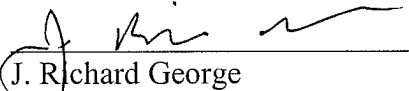


J. Richard George, OSB # 974691
Assistant General Counsel
Portland General Electric Company

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused Portland General Electric Company's Reply Comments in docket UM 1396, to be served by electronic mail to those parties whose email addresses appear on the attached service list and UM 1129 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 23rd day of October, 2009.



J. Richard George
Assistant General Counsel, OSB # 974691
Portland General Electric Company
121 SW Salmon St. 1WTC 1301
Portland, OR 97204
Telephone: (503) 464-7611
Facsimile: (503)464-2200
richard.george@pgn.com

UM 1396 – SERVICE LIST – 10/23/09

*Waived Paper Service

Department of Justice Michael T Weirich * michael.weirich@state.or.us	Ed Durrenberger Oregon Public Utility Commission PO Box 2148 Salem OR 97308-2148 ed.durrenberger@state.or.us
Pacific Power Oregon Dockets * oregondockets@papacificorp.com	Citizens Utility Board of Oregon G. Catriona McCracken * catriona@oregoncub.org
PacificCorp Jordon White * jordon.white@pacificorp.com	Citizens Utility Board of Oregon Bob Jenks * bob@OregonCUB.org
Idaho Power Company Christa Bearry * cbearry@idahopower.com	Idaho Power Company Randy Allphin * rallphin@idahopower.com
Idaho Power Company Michael Youngblood * myoungblood@idahopower.com	Idaho Power Company Barton Kline * bkline@idahopower.com
McDowell & Rackner, PC Lisa F. Rackner * lisa@mcd-law.com	McDowell & Rackner, PC Wendy McIndoo * wendy@mcd-law.com

Portland General Electric J. Richard George Assistant General Counsel 121 SW Salmon 1WTC0702 Portland, OR 97204 richard.george@pgn.com	Davison Van Cleve Melinda Davison Irion A. Sanger 333 SW Taylor, Ste 400 Portland, OR 96204 ias@dvclaw.com
Community Renewable Energy Association Paul R. Woodin * pwoodin@communityrenewables.org	Annala, Carey, Baker PC Will K. Carey * wcarey@hoodriverattorneys.com
Department of Justice Janet L. Prewitt * janet.prewitt@doj.state.or.us	Oregon Department of Energy Vijay A. Satyal * vijay.a.satyal@state.or.us
Richardson & O'Leary Peter J. Richardson * peter@richardsonandoleary.com	Oregon Department of Energy Jeff Keto * jeff.s.keto@state.or.us
Oregon Department of Energy Robin Straughn * robin.straughan@state.or.us	Oregon Department of Energy Kip Pheil * kip.pheil@state.or.us
RFI Consulting Randall J Falkenberg PMB362 8343 Roswell Rd. Sandy Springs, GA 30350 consultrfi@aol.com	Portland General Electric Randall Dahlgren Rates & Regulatory Affairs 121 SW Salmon 1WTC0702 Portland, OR 97204 pge.opuc.filings@pgn.com
Thomas Nelson nelson@thnelson.com *	jravenesanmarcos@yahoo.com *
Biomass One, L.P. dlokting@stollberne.com *	

*Waived Paper Service

UM 1129 – Service List – 10/23/09

Department Of Justice Janet L Prewitt Assistant Ag Natural Resources Section 1162 Salem Court St Ne Salem Or 97301 janet.prewitt@doj.state.or.us	Ascentergy Corp Bruce Craig 24900 Pitkin Rd. Ste 325 Spring Tx 77386-1942 bcraig@asc-co.com
Ben Johnson Associates Don Reading 6070 Hill Road Boise Id 83703 dreading@mindspring.com	Cable Huston Benedict Et Al Thomas M Grim* Attorney 1001 Sw Fifth Ave Ste 2000 Portland Or 97204-1136 tgrim@cablehuston.com
Central Oregon Irrigation District Steven C Johnson District Manager 1055 Sw Lake Ct Redmond Or 97756 stevej@coid.org	Citizens' Utility Board Of Oregon Lowrey R Brown* Utility Analyst 610 Sw Broadway - Ste 308 Portland Or 97205 lowrey@oregoncub.org
Citizens' Utility Board Of Oregon Jason Eisdorfer* Former Energy Program Director 610 Sw Broadway Ste 308 Portland Or 97205 dockets@oregoncub.org	Columbia Energy Partners Chris Crowley 317 Columbia St Vancouver Wa 98660 ccrowley@columbiaenergypartners.com
Community Renewable Energy Association Paul R Woodin Executive Director 1113 Kelly Ave The Dalles Or 97058 pwoodin@communityrenewables.org	Crossborder Energy R Thomas Beach 2560 Ninth St - Ste 213a Berkeley Ca 94710-2557 tomb@crossborderenergy.com
D R Johnson Lumber Company Randy Crocket* Chief Financial Officer Po Box 66 Riddle Or 97469 randyc@drjlumber.com	Davison Van Cleve Irion A Sanger * Associate Attorney 333 Sw Taylor - Ste 400 Portland Or 97204 ias@dvclaw.com
Davison Van Cleve Pc S Bradley Van Cleve * 333 Sw Taylor - Ste 400 Portland Or 97204 mail@dvclaw.com	Department Of Justice Michael T Weirich Assistant Attorney General Regulated Utility & Business Section 1162 Court St Ne Salem Or 97301-4096 michael.weirich@doj.state.or.us

<p>Douglas County Forest Products Mick Baranko Controller 398 Dfel Rio Rd Roseburg Or 97470 mick@dcfp.com</p>	<p>Hurley Lynch & Re Pc Elizabeth Dickson 747 Sw Millview Way Bend Or 97702 eadickson@hllr-law.com</p>
<p>Idaho Power Company Randy Allphin* Po Box 70 Boise Id 83707-0070 rallphin@idahopower.com</p>	<p>Idaho Power Company Christa Bearry* Po Box 70 Boise Id 83707-0070 cbearry@idahopower.com</p>
<p>Idaho Power Company Karl Bokenkamp* General Manager-Power Supply Planning Po Box 70 Boise Id 83707-0070 kbokenkamp@idahopower.com</p>	<p>Daho Power Company John Gale* Vp - Regulatory Affairs Po Box 70 Boise Id 83707-0070 rgale@idahopower.com</p>
<p>Idaho Power Company Barton L Kline* Senior Attorney Po Box 70 Boise Id 83707-0070 bkline@idahopower.com</p>	<p>Idaho Power Company Michael Youngblood* Senior Pricing Analyst Po Box 70 Boise Id 83707-0070 myoungblood@idahopower.com</p>
<p>J R Simplot Company David Hawk Po Box 27 Boise Id 83707 david.hawk@simplot.com</p>	<p>Kafoury & Mcdougal Linda K Williams Attorney At Law 10266 Sw Lancaster Rd Portland Or 97219-6305 linda@lindawilliams.net</p>
<p>Mcdowell & Rackner Pc Wendy Mcindoo* Office Manager 520 Sw 6th Ave Ste 830 Portland Or 97204 wendy@mcd-law.com</p>	<p>Mcdowell & Rackner Pc Lisa F Rackner Attorney 520 Sw Sixth Avenue Ste 830 Portland Or 97204 lisa@mcd-law.com</p>
<p>Middlefork Irrigation District Craig Dehart Po Box 291 Parkdale Or 97041 mfidcraig@embarqmail.com</p>	<p>Oregon Department Of Energy Carel De Winkel 625 Marion Street Ne Salem Or 97301 carel.dewinkel@state.or.us</p>

<p>Oregon Windfarms Llc Glenn Ikemoto Principal 672 Blair Avenue Piedmont Ca 94611 glenni@pacbell.net</p>	<p>Pacific Power & Light Michelle R Mishoe* Legal Counsel 825 Ne Multnomah Ste 1800 Portland Or 97232 michelle.mishoe@pacificorp.com</p>
<p>Pacificorp Data Request Response Center* 825 Ne Multnomah St, Ste 2000 Portland Or 97232 datarequest@pacificorp.com</p>	<p>Pacificorp Mark Tallman* Managing Director Trading 825 Multnomah Ste 800 Portland Or 97232-2153 mark.tallman@pacificorp.com</p>
<p>Pacificorp Oregon Dockets Oregon Dockets* 825 Ne Multnomah St Ste 2000 Portland Or 97232 oregondockets@pacificorp.com</p>	<p>Portland General Electric Company J Richard George 121 Sw Salmon St 1wtc1301 Portland Or 97204 richard.george@pgn.com</p>
<p>Public Utility Commission Of Oregon Ed Busch Po Box 2148 Salem Or 97308-2148 ed.busch@state.or.us</p>	<p>Richardson & O'leary Pllc Peter J Richardson Po Box 7218 Boise Id 83707 peter@richardsonandoleary.com</p>
<p>Symbiotics Llc Brian Cole Po Box 1088 Baker City Or 97814 bc@orbisgroup.org</p>	<p>Vulcan Power Company Mark Albert 345 Sw Cyber Dr Ste 103 Bend Or 97702-1045 malbert@vulcanpower.com</p>
<p>Vulcan Power Company Mark Albert 775 Sw Bonnett Way Ste 210 Bend Or 97702-2080 Malbert@Vulcanpower.Com</p>	<p>Weyerhaeuser Seth Hooper Mail Stop Ch1 K32 Po Box 9777 Federal Way Wa 98063-9777 Seth.Hooper@Weyerhaeuser.Com</p>
<p>Weyerhaeuser Company Alan Meyer 698 12th St - Ste 220 Salem Or 97301-4010 Alan.Meyer@Weyerhaeuser.Com</p>	