

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 5, 2011**

REGULAR  CONSENT  EFFECTIVE DATE August 1, 2011

DATE: June 30, 2011

TO: Public Utility Commission

FROM: Ed Durrenberger

THROUGH: Lee Sparling and Maury Galbraith

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 2011-S2) Provides special contract arrangements between Portland General Electric and Columbia River Processing for steam.

**STAFF RECOMMENDATION:**

I recommend that the Commission allow Portland General Electric Company's (PGE or Company) Advice No. 2011-S2 to go into effect for meter readings on or after August 1, 2011.

**DISCUSSION:**

The OPUC received PGE's Advice No. 2011-S1 on April 20, 2011. The filing was a request to extend the existing special contract under which PGE's Coyote Springs Generating plant supplies steam to Columbia River Processing (CRP or Tillamook Cheese). The extension was needed to allow additional time to complete negotiations on a new contract. The Commission approved the contract extension, with conditions, at the May 17, 2011, Public Meeting and the filing now before you represents the culmination of that process.

On June 7, 2011, the Company completed contract negotiations and filed the new contract as PGE Advice 2011-S2, in accordance with ORS 757.007. The Company filing states that the new contract should be approved for the following reasons:

1. The revenue from the steam sales covers relevant costs,
2. The contract is not discriminatory,
3. PGE customers will be held harmless, and

4. The contract incorporates opportunity-cost pricing where steam sales pricing is based on the market value of power that would otherwise be produced.

The New Contract Filing:

The commercial conditions of the new contract differ from the existing contract in several ways. First, the new contract greatly expands the amount of steam sales to CRP. Previously the base steam delivery was 15,000 lbs/hr; the current base amount is proposed to be 25,000 lbs/hr. In addition, the steam pricing, although based on the same pricing formula, is now proposed to use the Flat Mid-C Index Price rather than a PGE market price comprised of the on-peak and off-peak Mid-C market price adjusted downward for transmission and distribution costs using figures from PGE's Schedule 83. The steam pricing continues to include the annual budgeted variable operations and maintenance (O&M) costs but with an added clause allowing PGE to revise O&M costs for unexpected and unforeseen events related to providing the service.

Review:

Based upon my review of the steam sale pricing calculation, I conclude that the expected revenue will be sufficient to cover PGE's relevant costs of providing steam to the Columbia River Processing plant. In addition, the contract remains non-discriminatory; all other steam customers have similar pricing. Furthermore PGE's customers are held harmless, as this contract incorporates the opportunity-cost pricing more thoroughly discussed and allowed in Order No. 01-489 in Docket UE 125. It is my conclusion that the Columbia River Processing steam sale contract is in the public interest.

**PROPOSED COMMISSION MOTION:**

The Commission allow PGE's Advice No. 2011-S2 to go into effect for meter readings on or after August 1, 2011.