

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 27, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: September 13, 2016

TO: Public Utility Commission

FROM: Max St. Brown ^{MSB}

THROUGH: Jason Eisdorfer and Marc Hellman ^{JE} ^{MA}

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UE 238) Extends the expiration date of the existing steam sale agreement between PGE and Boardman Foods, Inc. from November 1, 2016 to December 31, 2016.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the application (Application) by Portland General Electric Company (PGE or Company) to extend the expiration date of its existing steam sales agreement with Boardman Foods, Inc. (Boardman Foods) from November 1, 2016 to December 31, 2016.

DISCUSSION:

Issue

Whether the Commission should approve PGE's application to extend the expiration date of its existing steam sale agreement with Boardman Foods.

Applicable law

ORS 757.005(1)(b)(E) exempts from regulation as a public utility the provision of heat, but not electricity, to a customer. Boardman Foods is located in the Port of Morrow, outside of PGE's electricity service territory, thus PGE's steam sales contract with Boardman Foods qualifies as the furnishing of heat, but not electricity, and therefore the service is exempt under ORS 757.005(1)(b)(E). However, pursuant to ORS 757.007(1), persons that are otherwise exempt from regulation under ORS 757.005(1)(b)(E) must still file with the Commission their contracts, and schedules establishing rates, for the provision of heating services. In this manner, the Commission regulates steam sales

contracts pursuant to ORS 757.007. Under this statute, the Commission may suspend the effective date of the contract for an additional period of not more than 120 days in order to determine the reasonableness of the contract, taking into consideration the services being provided, the costs and risks of service, the availability and costs of alternative forms of service and other reasonable considerations, including the impact of the contract on existing customers and on the public generally. ORS 757.007(2).

Discussion and Analysis

On August 12, 2016, PGE filed its Application with the Commission for approval to extend the expiration date of its existing steam sale agreement with Boardman Foods from November 1, 2016 to December 31, 2016. In its Application, PGE states that PGE and Boardman Foods “are working on the terms and conditions of a new steam sale agreement and require additional time to complete the negotiations.”¹

At the July 19, 2016 Public Meeting, the Commission approved PGE’s request in UE 231 for additional time to negotiate its steam contract with Columbia River Processing (CRP). PGE’s contract with CRP was extended to January 1, 2017. PGE notes that extending its existing steam contract with Boardman Foods will align customer renewal dates to January 1, 2017.

Staff and PGE met in Salem on April 18, 2016, in order to discuss PGE’s ideas on revising its steam sales contracts coming up for renewal. PGE indicates these changes include:

- Implementing a capacity charge to recover fixed costs;
- Splitting the variable steam charge into a Base Steam charge and Peak Steam charge; and
- Implementing a charge for excessive steam volume changes if the customer's Steam Block and control value is not operational.²

Staff notes that the PGE request is for a fairly short time period of two months at which time PGE will seek Commission approval for new effective rates.

Conclusion

PGE’s extension request is for a fairly short period of time. Further, PGE is actively working with Staff in regards to its steam sales contracts coming up for renewal. In addition, the PGE-Boardman Foods contract was previously approved by the Commission and it is currently in effect. For these reasons, Staff does not see a need at this time to conduct an in-depth investigation into the terms and rates of the

¹ UE 238 8/12/16 Supplemental Application at 1.

² *Ibid.*

Docket No. UE 238
September 13, 2016
Page 3

PGE-Boardman Foods contract. Staff intends to conduct a more intensive analysis of PGE's steam sales contracts, using the ORS 757.007 criteria for "reasonableness," when the Company seeks to implement permanent changes to them, including its agreement with Boardman Foods. Under these circumstances, Staff believes it is reasonable to allow PGE additional time to negotiate changes to its steam sales contracts generally, including its contract with Boardman Foods.

The Company has reviewed this memo and has stated no objections.

PROPOSED COMMISSION MOTION:

Approve PGE's request to extend the expiration date of its existing steam sale agreement with Boardman Foods from November 1, 2016 to December 31, 2016.