



Portland General Electric Company
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April 1, 2014

Email / US Mail

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Public Utility Commission of Oregon
Attention: Filing Center
3930 Fairview Industrial Dr., SE
PO Box 1088
Salem, OR 97308-1088

RE: UE 283 and UE 286 Supplemental Testimony and Confidential Exhibits

Filing Center:

Enclosed please find two original and ten copies of PGE's Supplemental Testimony with Confidential Exhibits and Confidential Work Papers submitted and filed in Docket Nos. UE 283 and UE 286. These confidential materials are subject to Protective Order No. 14-043 and are provided on CD only.

This Supplemental Testimony provides information concerning the transactions for ownership shares in two production facilities. PGE indicated in Exhibits 500 and 800 that it would provide specific information on these transactions by April 1. The first transaction is for Power Resource Cooperative's (PRC) 10% ownership share of the Boardman Coal Plant. The second transaction is a long-term contract for the purchase of the output from the Confederated Tribes of the Warm Springs Reservation of Oregon (Tribes) share of the Pelton and Round Butte hydroelectric plants and the net output of the Re-regulation plant. The Supplemental Testimony provides details regarding each agreement, the effect of each agreement on PGE's 2015 Net Variable Power Costs, and the revenue requirement impact of the PRC agreement.

If you have any questions or require further information, please contact me at (503) 464-7458. Please direct all formal correspondence and requests to the following email address: pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick G. Hager". The signature is written in a cursive style and is positioned above the printed name.

Patrick G. Hager
Manager, Regulatory Affairs

PGH:kr

encl.

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 283
General Rate Case Filing
For Prices Effective January 1, 2015

PORTLAND GENERAL ELECTRIC COMPANY

SUPPLEMENTAL TESTIMONY AND EXHIBITS

April 1, 2014

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I. Introduction

1 **Q. Please state your names and positions with Portland General Electric (PGE).**

2 A. My name is Maria Pope. My position at PGE is Senior Vice President of Power Supply and
3 Operations and Resource Strategy. My qualifications appear in PGE Exhibit 400.

4 My name is Alex Tooman. I am a project manager for PGE. I am responsible for the
5 development of PGE's revenue requirement forecast. My qualifications appear in PGE
6 Exhibit 300.

7 **Q. What is the purpose of your Supplemental Testimony?**

8 A. In PGE Exhibits 500 and 800, we stated that PGE was negotiating two major transactions
9 and we would provide supplemental testimony should we reach agreements in either or both
10 of the proposed transactions. The first of these transactions is PGE's acquisition of Power
11 Resources Cooperative's (PRC) 10% ownership share of the Boardman Coal Plant
12 (Boardman). The second is a long-term contract for PGE's purchase of the output from the
13 Confederated Tribes of the Warm Springs Reservation of Oregon (Tribes) share of the
14 Pelton and Round Butte plants (PRB) and the net output of the Re-regulation plant (Re-reg).
15 PGE executed the PRB agreement on March 21, and has finalized negotiations on the PRC
16 agreement, which PGE expects to execute by the end of April. Our supplemental testimony
17 provides details of each agreement, the effect of each agreement on PGE's 2015 Net
18 Variable Power Cost (NVPC) forecast, and the revenue requirement impact of the PRC
19 agreement.

20 **Q. How is the remainder of your testimony organized?**

- 1 A. Our testimony has two additional sections. In Section II, we discuss the terms and details of
2 PGE’s acquisition of PRC’s 10% ownership share of Boardman. In Section III, we discuss
3 the terms and details of the long-term contract with the Tribes.

II. Power Resources Cooperative

1 **Q. Please provide a brief background of PRC's relationship to Boardman.**

2 A. PRC is an Oregon cooperative corporation whose members consist of 13 Northwest retail
3 electric distribution cooperatives. PRC negotiated for a 10% ownership share of Boardman
4 in 1976 while the plant was under construction. At the time, PRC believed that it needed to
5 secure additional generation to meet projected loads. In 1992, PRC (formerly named Pacific
6 Northwest Generating Cooperative or PNGC) entered into a long-term power purchase
7 agreement (PPA) to sell the output from its 10% ownership share of Boardman to Turlock
8 Irrigation District (TID). However, PRC has stated that it no longer desires to be in the
9 wholesale power generation supply business.

10 **Q. What is PGE's interest in acquiring PRC's ownership share?**

11 A. PGE is interested in acquiring PRC's ownership share for two reasons:

- 12 • Boardman will cease coal-fired operations by the end of 2020. As PGE begins exploring
13 end-of-life options for Boardman, the process will be much simpler and more efficient
14 with the reduced number of co-owners.¹
- 15 • The transaction with PRC is expected to produce a net benefit, due to the operating risk
16 premium payment, for PGE customers.

17 **Q. How will the acquisition of PRC's ownership share impact PGE customers?**

18 A. By acquiring PRC's share of Boardman, the process of exploring end-of-life options for
19 Boardman will be much simpler and more efficient with a reduced number of co-owners.
20 PGE negotiated and structured the PRC transaction so that PGE customers would not be
21 harmed by the liabilities and obligations associated with the acquisition of PRC's Boardman

¹ After the acquisition of PRC's ownership share, PGE and Idaho Power Company will be the remaining co-owners.

1 ownership share and so customers would receive a net benefit from the additional operating
2 risk premium payment PGE secured from PRC that will be used to mitigate
3 decommissioning related risks. As part of the agreement with PRC, PGE will receive a
4 [REDACTED] operating risk premium payment from PRC. If this [REDACTED] is not used for
5 Boardman decommissioning related costs or other environmental remediation of the
6 Boardman site, it will be returned to customers. We explain the operating risk premium
7 payment in more detail below.

8 **Q. What is the current status of PGE's negotiations with PRC?**

9 A. PGE and PRC have fully negotiated the project sale and related agreements for the sale and
10 purchase of PRC's ownership interest. The parties intend to execute the agreements by the
11 end of April with closing to occur on December 31, 2014.

12 **Q. Please summarize the terms of the agreement with PRC.**

13 A. PGE Confidential Exhibit 1501 contains a copy of the agreement with PRC. PGE will
14 assume all of PRC's rights, title, and interests in Boardman. PGE will assume PRC's
15 obligations relating to:

- 16 • Decommissioning;
- 17 • Environmental obligations from operations;
- 18 • Station service provided by PRC; and,
- 19 • The TID PPA, excluding certain obligations.

20 TID currently has a PPA for 100% of PRC's share of Boardman output through 2018. As
21 part of PGE's purchase of PRC's ownership share, PGE will be responsible for servicing the
22 TID PPA from Boardman's output through 2018. After the TID PPA expires, PGE will use
23 the output from the additional share of Boardman until the end of 2020.

1 **Q. Please summarize the conditions that must be satisfied before the PRC transaction can**
2 **close.**

3 A. The conditions that must be satisfied before the PRC transaction can close (conditions
4 precedent) are detailed in the agreement provided in PGE Confidential Exhibit 1501. The
5 major conditions precedent are:

- 6 • Public Utility Commission of Oregon (Commission) and Federal Energy Regulatory
7 Commission (FERC) approval;
- 8 • PGE Board of Directors approval;
- 9 • PRC approval from its Board of Directors, Boardman Subscribers Committee, PRC
10 Members, and the PRC Lenders;
- 11 • Idaho Power Company waives or fails to exercise its right of first refusal under the
12 Boardman agreement; and,
- 13 • TID consents to the partial assignment of the TID PPA to PGE, which will include
14 certain attestations by TID.

15 **Q. Please summarize the components of the agreement with PRC.**

16 A. The agreement with PRC can be separated into the five components listed below:

- 17 • PRC's Boardman purchase payment made to PGE in exchange for PRC's 10% share of
18 Boardman and PGE's assumption of certain PRC obligations. This also includes PGE's
19 assumption of certain rights and obligations under the TID PPA;
- 20 • PGE's purchase of PRC's inventory;
- 21 • PRC's operating risk payment made to PGE;

- The financial settlement of the 2011 Western System Power Pool (WSPP) PPA transaction under which PRC is obligated to deliver the output from the 10% ownership share to PGE’s system in 2019 and 2020; and
- PGE’s purchase of the Boardman-Slatt and Dalreed power lines.

With the exception of the two power lines, we discuss each of these components in more detail below. Use of the two power lines will be shared with the Carty project. As stated in PGE Exhibit 800, Carty is anticipated to begin operations in 2016 and no costs relating to Carty are included in the 2015 test year.

Q. Please summarize the payment for each of the five components.

A. Table 1 below summarizes this information:

Table 1
PRC Component Summary
 (\$millions)

	<u>Payment to</u> <u>PRC</u>	<u>Payment to</u> <u>PGE</u>
Boardman Payment	■	■
Inventory Purchase	■	
Operating Risk Premium		■
2011 PPA Settlement		■
Two Power Lines*	■	
Total	■	■

**Not included in the 2015 test year*

The Boardman purchase payment component and the inventory purchase component are subject to true-up upon closing of the transaction. The Boardman purchase payment calculation will be adjusted to reflect actual capital expenditures in 2014 that impact the forecasted revenue received from TID. The inventory purchase will be adjusted to reflect the actual book values of PRC’s inventory at closing. PGE does not intend to revise its current forecast for purposes of setting customer prices.

Q. Please summarize the “Boardman Payment” component.

1 A. PRC will make a payment to PGE of approximately [REDACTED] and in return PGE will
2 acquire PRC's ownership share of Boardman, assume some of PRC's obligations, and
3 assume some of the TID PPA obligations. PGE negotiated the Boardman purchase payment
4 price with the goal that PGE customers would not be harmed as a result of acquiring PRC's
5 ownership share of Boardman and the accompanying obligations. In order to accomplish
6 this goal, PGE and PRC agreed that PRC would pay PGE for the net economic value of the
7 plant priced against the forward market curve dated February 18, 2014. When considering
8 this component in combination with the other components of this transaction, customers will
9 receive a net benefit.

10 The payment for Boardman is derived from a calculated value that solves for a net
11 present value of zero over the remaining term of coal-fired operations (2020).² This value is
12 derived separately from the four other components of the agreement and does not take them
13 into account (Columns B through E of PGE Confidential Exhibit 1502). This value accounts
14 for all costs and benefits of operations relating to the increased ownership share over the
15 remaining life of coal-fired operations, including: fixed capital costs, fixed and variable
16 operating costs, fuel costs, carrying charges, BPA transmission wheeling charges, line
17 losses, revenue from the TID PPA through 2018, and the avoided market power purchases
18 during 2019 and 2020 from the increased ownership share. The payment from PRC to PGE
19 also includes a cash obligation due to TID for the balance of TID's prepaid coal inventory at
20 the end of the TID PPA since PGE is assuming that responsibility from PRC.

21 **Q. What are the obligations PGE is assuming under the TID PPA?**

² The net economic value is zero on a net present value basis and includes the costs and revenues over the remaining life of coal-fired operations at Boardman. The net economic value does not include the other components of the agreement.

1 A. PGE will assume some of the obligations PRC had to TID. Through 2018, TID will receive
2 10% of the Boardman Plant output delivered by PGE to the Slatt substation. TID has the
3 option to extend the PPA through April 30, 2019. For the duration of the TID PPA, TID is
4 obligated to pay all costs associated with Boardman operations pertaining to the 10% output.
5 These costs can be separated into two broad categories: historical costs and ongoing costs.

- 6 • Historical costs are costs associated with financing activities that PRC undertook to
7 finance Boardman capital additions in prior years.
- 8 • Ongoing costs are costs associated with the costs of operating and maintaining
9 Boardman. These costs can be grouped into operating expenses and capital additions.

10 TID payments for both historical and ongoing costs will flow through to customers in the
11 form of wholesale sales revenues from the TID PPA in PGE's NVPC forecast.

12 PGE will also assume PRC's obligation to pay TID for its remaining prepaid coal
13 inventory at the end of the TID PPA. Under the TID PPA, TID pays for coal on an as-
14 delivered basis, rather than as-burned. TID then has access to this prepaid coal (by taking
15 Boardman generation) at its discretion. To the extent that TID does not use all of its prepaid
16 coal by the expiration of the PPA, the terms of the TID PPA call for PRC and TID to
17 financially settle this obligation. This obligation was accounted for in the economic model
18 when PGE derived the Boardman purchase payment component.

19 **Q. Does this mean that PGE is paying twice for the coal associated with this contract?**

20 A. No. The obligation to TID, modeled as a financial settlement of the coal inventory at the
21 expiration of the TID PPA, is reflected in the Boardman purchase payment that PRC is
22 making to PGE.

23 **Q. What are the obligations that PGE is not assuming under the TID PPA?**

1 A. Under the TID PPA, PRC is obligated to deliver the energy to TID at the California Oregon
2 Border. Under the agreement with PRC and with TID's consent, PGE will have an
3 obligation only to deliver the energy to the Slatt substation. PGE will not assume the
4 obligations associated with curtailment and delivery risk beyond Slatt, or representing TID's
5 interest in transmission discussions with BPA.

6 **Q. Will PGE Schedule 145 be affected by this agreement?**

7 A. Yes. The decommissioning costs collected in Schedule 145 are based on a Black and
8 Veatch Study (B&V Study) dated March 28, 2011. The B&V Study estimated the base
9 amount for 100% share of decommissioning costs at \$68 million in 2020 dollars.³ PGE will
10 assume the decommissioning costs associated with the PRC's 10% ownership share,
11 approximately \$6.8 million in 2020 dollars. Assuming PRC's decommissioning obligations
12 results in a Schedule 145 revenue requirement increase of approximately \$1.2 million, as
13 seen in PGE Confidential Exhibit 1502, Column B.

14 The base decommissioning costs of \$6.8 million were factored into the calculation of
15 the ██████████ Boardman purchase payment to PGE in order to ensure that PGE's
16 customers would not be harmed by PGE assuming PRC's decommissioning responsibility.
17 In addition, the operating risk premium payment received by PGE will benefit customers by
18 mitigating the risk of decommissioning related costs in excess of the base amount. As
19 discussed below, PGE will refund the operating risk premium payment, plus interest, to
20 customers if there is no need for the funds, as seen in PGE Confidential Exhibit 1502,
21 Column E.

22 **Q. What treatment does PGE propose for the Boardman purchase payment component?**

³ The base amount excludes the cost of items that were not deemed likely to occur (e.g., removal of the ash and coal pile).

1 A. Upon closing of the transaction, PGE will assume PRC's ownership share and the TID PPA.
2 PGE's expenses and obligations relating to Boardman will increase to include the 10%
3 ownership share now assigned to PGE. Wholesale sales revenues will also increase as a
4 result of revenues from the TID PPA. The associated revenue requirement is a component
5 of PGE Confidential Exhibit 1502, Column A.

6 PGE will receive [REDACTED] in cash, representing the calculated net economic value of
7 Boardman, from PRC at closing. There are two elements to this payment: (1) PGE's
8 assumed obligation from PRC of approximately [REDACTED] for the prepaid coal payment to
9 TID in 2018 (booked as a liability to TID) and (2) the net remaining amount of the
10 Boardman purchase payment, approximately [REDACTED].

11 PGE proposes to defer the [REDACTED] payment from PRC and refund the carrying cost,
12 at PGE's weighted average cost of capital, to customers through Schedule 105, Regulatory
13 Adjustments, until the end of the TID PPA. The 2018 AUT will reflect a refund to
14 customers of [REDACTED], but will also reflect the offsetting cost representing the payment
15 currently expected to be made to TID to eliminate the liability.

16 PGE proposes to defer and return the [REDACTED] to customers through Schedule 105.
17 We propose to amortize the amount over a four-year period beginning January 1, 2015, to
18 align with the remaining duration of the TID PPA. Consistent with ORS 757.259, the
19 deferral balance will accrue interest at the Commission approved Modified Blended
20 Treasury Rate (MBTR). The sum of this amortization and the above-mentioned carrying
21 costs can be seen in PGE Confidential Exhibit 1502, Column C,

22 **Q. Please summarize the inventory purchase component.**

1 A. PRC has a 10% ownership share of the fuel stock and materials and supplies at Boardman.
2 As part of the agreement, PGE will purchase PRC's share of the coal, fuel oil, materials, and
3 supplies at book value at the closing date.

4 **Q. What treatment does PGE propose for the inventory purchase component?**

5 A. PGE will pay PRC for their share of the coal, fuel oil, materials, and supplies, estimated at
6 [REDACTED]. PGE proposes to book the increase in inventory to FERC accounts 151 – Fuel,
7 and 154 – Plant Materials and Operating Supplies. The inventory purchase will increase
8 PGE's rate base by approximately [REDACTED]. The associated revenue requirement is a
9 component of PGE Confidential Exhibit 1502, Column A.

10 **Q. Please summarize the financial settlement of the 2011 WSPP PPA transaction.**

11 A. PGE and PRC entered into a PPA transaction in 2011 for power delivered to PGE's system,
12 priced at Mid-C Index, during 2019 and 2020. The contract was originally entered into
13 because PRC had no need for Boardman's output after the TID PPA expires at the end of
14 2018. PRC will pay PGE approximately [REDACTED] to financially settle this PPA
15 transaction since PRC will no longer be able to fulfill the PPA transaction. The financial
16 settlement ensures that PGE Customers receive the full benefit of the 2011 WSPP PPA
17 transaction with PRC.

18 **Q. What treatment does PGE propose for the financial settlement of the 2011 WSPP PPA**
19 **transaction?**

20 A. PGE proposes to defer and return the [REDACTED] revenue from the financial settlement of
21 the 2011 WSPP PPA transaction to customers via Schedule 105. We propose to amortize
22 the amount over a two year period beginning January 1, 2019, in order to align with the term
23 of the 2011 WSPP PPA transaction. Consistent with ORS 757.259, the deferral balance will

1 accrue interest at PGE's weighted cost of capital until amortization is authorized. See PGE
2 Confidential Exhibit 1502, Column D.

3 **Q. Please summarize the operating risk payment component.**

4 A. Under Schedule 145, PGE is accruing Boardman decommissioning costs from customers for
5 PGE's current 80% share of Boardman. As stated above, PGE will assume PRC's 10%
6 share of decommissioning costs. PRC will pay PGE [REDACTED] to compensate customers
7 for the risk that actual decommissioning costs exceed the base amount, specifically ash
8 removal, coal removal, and the employee retention plan. This payment is separate from the
9 Boardman purchase payment, which factored in PRC's \$6.8 million share of base
10 decommissioning costs. Additional decommissioning costs might be due to changes in
11 environmental regulation, increased remediation costs, decreased salvage value, and the
12 retention plan associated with maintaining an adequate number of skilled staff at the plant.

13 **Q. What treatment does PGE propose for the operating risk payment?**

14 A. PGE proposes to place the [REDACTED] operating risk payment amount in an escrow
15 account. These funds would be held for restricted purposes relating only to additional
16 decommissioning costs and environmental remediation in excess of the base amount in the
17 B&V study. PGE will use these funds to offset the additional decommissioning costs. At
18 this time, PGE has no way of forecasting the occurrence or types of events that might create
19 a need for the funds. As Boardman nears the end of coal-fired operations, PGE will have a
20 clearer picture of the future of the plant, the legislative environment, and any potential need
21 for the funds. If there is no need for some or all of the funds, PGE will return the funds to
22 customers, with interest. See PGE Confidential Exhibit 1502, Column E.

23 **Q. What interest rate is PGE proposing for the operating risk payment?**

1 A. Interest will accrue as earned, at the market rate earned by the escrow account. These funds
2 will not be available for PGE financing needs or other general use. Thus, the proposed
3 interest rate is more closely matched to the nature of the funds.

4 **Q. What is the NVPC effect of the PRC agreement?**

5 A. The PRC agreement reduces PGE's NVPC forecast by approximately \$6.2 million in 2015.
6 The associated revenue requirement is a component of PGE Confidential Exhibit 1502,
7 Column A,

8 **Q. What is the total impact in 2015 of the PRC agreement?**

9 A. The net total impact in 2015 of the PRC agreement is reduction of approximately
10 \$1.1 million, as seen in PGE Confidential Exhibit 1502, Column F.

III. Warm Springs Contract

1 **Q. Please provide a brief background of the existing relationship between PGE and the**
2 **Tribes.**

3 A. PGE and the Tribes are co-owners of the Pelton and Round Butte generation facilities, with
4 PGE acting as operator. The Tribes have a 33.33% ownership share in PRB and are the sole
5 owner of the Re-reg generation facility. Under the 2002 Ownership and Operation
6 Agreement (O & O), the Tribes are obligated to sell to PGE and PGE purchases the full
7 output from the Tribes' share of PRB and the entire net output from Re-reg ("the output") at
8 the Dow Jones Mid-Columbia (Mid-C) Electricity Price Index.⁴ Under Articles 5.7 and 5.9
9 of the O & O, the Tribes have the one-time right to elect to sell the output to a third party,
10 provided they give PGE notice by April 1 of the prior year. Once the Tribes give notice of
11 this election, for the remainder of the life of the PRB license, they are no longer obligated to
12 sell the output to PGE and PGE is no longer obligated to purchase it.

13 **Q. How did PGE and the Tribes' initiate negotiations for this contract?**

14 A. Warm Springs Power and Water Enterprises (WSPWE), the entity that manages the Tribes'
15 shares and interest in PRB and Re-reg, informed PGE of their intention to explore their
16 rights under the O & O to sell their share of the output beginning in 2015 via an auction
17 process. Due to the longstanding relationship between PGE and the Tribes and the joint
18 ownership structure, both PGE and WSPWE agreed to explore the possibility of a long-term
19 contract prior to the implementation of an auction process. Because of the required deadline

⁴ Under the O & O, PGE and the Tribes may select a substitute index in the event that the Dow Jones Index values cannot be determined. The Dow Jones Mid-C index was discontinued on September 13, 2013 and PGE and the Tribes have agreed to replace it with the Intercontinental Exchange (ICE) Index.

1 for the Tribes' notice to be received by PGE on or before April 1, 2014, the Tribes asked for
2 an accelerated negotiation process.

3 **Q. What is the current status of PGE's negotiations with WSPWE?**

4 A. PGE and WSPWE have reached an agreement on the price, terms, and conditions of the
5 contract. The contract was executed by both Parties on March 21, 2014. The transaction
6 will close once the conditions precedent are met or waived.

7 **Q. Please summarize the terms of the contract.**

8 A. The contract is for the ten year period January 1, 2015 through December 31, 2024. Under
9 the contract, the Tribes will forego their right under the O & O to sell the output to a third
10 party, and continue to sell the output exclusively to PGE for a ten year term. PGE will
11 purchase the output at a price that includes a fixed component plus a variable component
12 based on actual generation and priced at the day-ahead Intercontinental Exchange (ICE) on-
13 and off-peak price for Mid-C physical power.

14 PGE also has the right to operate the plants as desired to meet system needs and will
15 have the flexibility to optimize the project for energy production as well as for providing
16 capacity and ancillary services (i.e., PGE is not obligated to maximize on-peak energy
17 production). This allows PGE to take full advantage of the plants' flexibility by using the
18 plants for balancing, ancillary services, and other uses that do not necessarily maximize the
19 variable payments made. In exchange for this additional flexibility and the Tribes foregoing
20 the right to sell to a third party, PGE will pay the Tribes a fixed monthly payment and
21 compensate the Tribes' at a daily flat price for any intentionally spilled MWh.⁵

⁵ Spilled MWh are defined as any MWh associated with the Tribes' allocation that could have been generated and PGE opted not to generate and physically spilled through the spill gates in order to provide ancillary services or for other benefits. The flat price will be the average of the firm on- and off-peak price, as defined in the agreement,

1 If the Tribes elect to exercise their right to purchase an additional 16.66% ownership
2 share of PRB in 2023, the fixed payment would increase accordingly to represent the Tribes'
3 increased ownership share of PRB. If the Tribes exercise the 2023 option, PGE will retain
4 rights to the Tribes' full share of PRB and Re-reg through the term of the contract. The
5 contract is subject to conditions precedent that must be met prior to certain obligations under
6 the contract becoming effective. These conditions precedent are specified in the contract,
7 provided in PGE Confidential Exhibit 1503.

8 **Q. Please summarize the conditions precedent.**

9 A. The major conditions precedent are:

- 10 • PGE management approval;
- 11 • Tribes' Tribal Council approval; and,
- 12 • Commission approval to include this transaction in PGE's 2015 power cost proceeding,
13 Docket No. UE 286, and PGE's 2015 general rate case, Docket No. UE 283, without
14 modification.

15 **Q. How did PGE evaluate the contract terms?**

16 A. PGE compared the contract terms to three market references:

- 17 • Recent hydro auctions conducted in the Northwest for projects similar to PRB;
- 18 • Market indications from PGE's recently concluded Requests for Proposals (RFP); and,
- 19 • An internally developed financial model used to determine the value of the contract in
20 terms of the benefits to PGE's portfolio.

21 PGE found that the contract terms are competitively priced when compared to the market
22 references, are beneficial for both parties, and offers benefits to PGE's portfolio.

weighted by the on- and off-peak hours of each day. Because of the physical constraint of the plant and license requirements, these will occur on rare occasions.

1 **Q. What are the benefits of this contract?**

2 A. PGE's contracts for highly flexible Mid-C hydro have diminished over time and will expire
3 in the near future. PRB is the only PGE-owned resource that provides usable reservoir
4 storage and shaping capabilities. PGE relies on PRB to provide regulation and load
5 following services, spinning reserves, and operating reserves. As the amount of PGE
6 generation being provided by variable energy resources (VERs) increases, PGE will require
7 firm access to flexible capacity resources to handle the increasing variability of wind, solar,
8 and other VERs. This contract will allow PGE to continue to serve load and meet reliability
9 for the next ten years with competitively priced power that is system delivered, highly
10 flexible, and produces zero carbon emissions.

11 **Q. Did PGE issue an RFP for the output acquired under the contract?**

12 A. No. PGE does not believe that the Commission's RFP requirements apply to this transaction
13 because PGE will continue to purchase the same amount of energy from the Tribes that it
14 has purchased over the previous twelve years and would have continued to purchase under
15 the terms of the O & O, absent the Tribes' notice. Out of an abundance of caution, PGE will
16 seek a waiver of the RFP requirements from the Commission. We anticipate filing the
17 request for a waiver by the end of April, 2014.

18 **Q. What is the NVPC effect of the Warm Springs long-term contract?**

19 A. The Warm Springs contract increases PGE's NVPC forecast by approximately \$3.3 million.

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

21 A. Yes.

List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
1501C	PRC Agreement
1502C	PRC Regulatory Effects
1503C	Warm Springs Agreement

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 283
General Rate Case
Supplemental Testimony

PORTLAND GENERAL ELECTRIC COMPANY

CONFIDENTIAL EXHIBITS

April 1, 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 283
General Rate Case
Supplemental Testimony

PORTLAND GENERAL ELECTRIC COMPANY

CONFIDENTIAL WORK PAPERS

April 1, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **UE 283 PORTLAND GENERAL ELECTRIC SUPPLEMENTAL TESTIMONY**, by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 283.

DATED at Portland, Oregon, this 1st day of April 2014.



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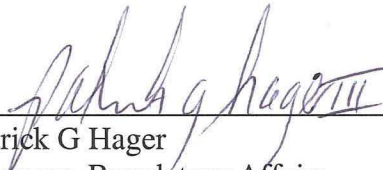
**SERVICE LIST
OPUC DOCKET # UE 283**

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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **UE 286 PORTLAND GENERAL ELECTRIC SUPPLEMENTAL TESTIMONY**, by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 286.

DATED at Portland, Oregon, this 1st day of April 2014.



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