

ORDER NO.

11 4 29

ENTERED

OCT 28 2011

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 238

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Request for Approval of the Steam Contract  
Between PGE and Boardman Foods, Inc.

ORDER

DISPOSITION: ADVICE NO. 2011-S3 ALLOWED; WAIVER GRANTED

On September 15, 2011, Portland General Electric Company (PGE) filed a request for approval of special contract arrangements with Boardman Foods, Inc. for steam. PGE also requested the special contract be allowed to go into effect with meter readings on or after November 1, 2011, which requires a waiver of OAR 860-022-0032. A description of the filing, its procedural history, and Staff's recommendation are contained in the Staff Report, attached as Appendix A and incorporated by reference.

At its public meeting on October 18, 2011, the Public Utility Commission of Oregon adopted Staff's recommendation.

**ORDER**

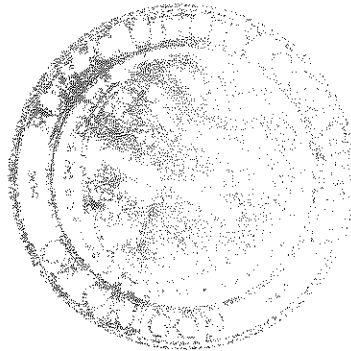
IT IS ORDERED that:

1. Portland General Electric Company's Advice No. 2011-S3, the new special contract with Boardman Foods, is allowed into effect with meter readings on and after November 1, 2011.
2. The waiver of OAR 860-022-0032 is granted.

Made, entered, and effective \_\_\_\_\_

OCT 28 2011

BY THE COMMISSION:



*Becky L. Beier*

**Becky L. Beier**

Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA8

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT

PUBLIC MEETING DATE: October 18, 2011

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE November 1, 2011

DATE: October 10, 2011

TO: Public Utility Commission

FROM: Steve Schue *S.S.*THROUGH: *LSC by BJR* Lee Sparling and Maury Galbraith *MG*SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 238/Advice No. 2011-S3) Provides special contract arrangements between Portland General Electric and Boardman Foods Incorporated for steam.

## STAFF RECOMMENDATION:

I recommend the Commission approve Portland General Electric Company's (PGE or Company) Advice No. 2011-S3 request that a new special contract go into effect with meter readings on or after November 1, 2011.

## DISCUSSION:

Overview:

The OPUC received PGE's Advice No. 2011-S3 on September 15, 2011. This filing requests approval of a new five-year special contract, under which PGE's Coyote Springs natural gas-fired generating plant would provide steam to Boardman Foods, Inc. (Boardman Foods), beginning November 1, 2011. The new contract replaces a similar agreement currently in place, and was filed in accordance with ORS 757.007. PGE asks that the Commission approve the new contract for the following reasons:

- 1) The contract is not discriminatory,
- 2) The revenue from steam sales to Boardman Foods will cover relevant costs,
- 3) PGE customers are held harmless, and
- 4) The contract incorporates opportunity-cost pricing, i.e. the steam sales pricing is based on the market value of the electricity that would otherwise be produced.

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New Contract Elements:

Compared to the current agreement, the new contract does not change the base steam sale quantity. However, it does change two other provisions. First, the opportunity cost of foregone electricity revenues will be based on a flat Mid-Columbia (Mid-C) Index calculated by PGE, adjusted downwards for transmission costs and line losses. Opportunity cost in the current agreement is based on the on- and off-peak Mid-C prices, as well as transmission and distribution costs, associated with PGE Tariff Schedule 83. Second, PGE will be able to update operations and maintenance (O&M) costs on 30 days notice. Under the current agreement, O&M costs are updated annually.

Review:

Based on my review, I find that the assertions made by PGE are valid. The contract is non-discriminatory because agreements between PGE and all other steam customers have similar pricing structures. PGE customers are held harmless because revenues from the steam sales to Boardman Foods will cover relevant costs. Most importantly, costs include the opportunity cost of foregone electricity revenues. This opportunity cost provision is consistent with the provisions of Order No. 01-489 in Docket UE 125. In addition, PGE has the ability to update O&M expenditures on 30 days notice. For these reasons, I conclude that the steam sale contract between PGE and Boardman Foods is in the public interest.

PGE's request that the special contract go into effect with meter readings on or after November 1, 2011 requires a waiver of OAR 860-022-0032. Granting a waiver is appropriate because it would facilitate proper matching of costs and revenues under the new contractual provisions.

**PROPOSED COMMISSION MOTION:**

Pursuant to a waiver of OAR 860-022-0032, PGE's Advice No. 2011-S3 and the new special contract with Boardman Foods go into effect with meter readings on or after November 1, 2011.